REPORT BY THE U.S.

General Accounting Office

COMPLETED
186

An Evaluation Of The 1981 AFDC Changes: Final Report

The Omnibus Budget Reconciliation Act of 1981 (OBRA) made major changes in the Aid to Families with Dependent Children (AFDC) program that resulted in the loss of AFDC benefits for many working recipients and reduced benefits for others. GAO estimates that OBRA decreased the national monthly caseload by 442,000 cases. In the short run, monthly outlays were reduced by $93 million.

In-depth evaluations of OBRA's effects on AFDC families in five sites found no strong evidence that the OBRA changes made welfare more attractive than employed self-sufficiency. However, 1-1/2 to 2 years later, those who had lost AFDC in these sites experienced substantial losses in real income, and many were without health insurance after their loss of Medicaid.

In response to a previous report from this study, program changes enacted in 1984 eased eligibility requirements and extended Medicaid coverage for those who lose AFDC. GAO's final analyses suggest that

- wage levels and employment opportunities are as important as program incentives for enabling recipients to gain independence from welfare,
- many families will probably be without health insurance after the Medicaid extension expires, and
- federal changes tied to state-set income limits will continue to affect families with similar economic situations differently, according to where they reside.

GAO/PEMD-85-4
JULY 2, 1985

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20877

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are $3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are $1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROGRAM EVALUATION
AND
METHODOLOGY DIVISION

B-214752

The Honorable Dan Rostenkowski
Chairman, Committee on Ways
and Means
House of Representatives

The Honorable John J. Duncan
Ranking Minority Member
Committee on Ways and Means
House of Representatives

As you requested on June 15, 1982, the U.S. General Accounting Office has evaluated the effects of changes made by the Omnibus Budget Reconciliation Act of 1981 (OBRA) to the Aid to Families with Dependent Children (AFDC) program. In a previous report entitled "An Evaluation of the 1981 AFDC Changes: Initial Analyses" (GAO/PEMD-84-6, April 2, 1984), we addressed your questions concerning the budgetary impact of OBRA, changes in the patterns of work and welfare behavior of AFDC recipients, and the subsequent economic well-being of families who lost AFDC benefits. This report extends those analyses and addresses your questions concerning changes in the general circumstances of families removed from the program and variation in effects across sites. Additionally, we provide observations concerning the implications of our results for the continuing debate about national welfare policy.

As we arranged with your offices, we are sending copies of this report to other interested congressional committees, to the secretaries of Health and Human Services and of Agriculture, and to public-assistance professionals. Copies will be made available to others who request them.

Sincerely yours,

Eleanor Chelimsky
Director

GENERAL ACCOUNTING OFFICE REPORT

AN EVALUATION OF THE 1981 AFDC CHANGES: FINAL REPORT

DIGEST

The Omnibus Budget Reconciliation Act of 1981 (OBRA) changed the Aid to Families with Dependent Children (AFDC) program, with the intention of lowering federal costs by reducing the number of working families who receive AFDC and reducing benefits to others. The House Committee on Ways and Means was concerned, however, about the subsequent economic well-being of families affected by OBRA and thought that the changes might generate disincentives to work.

GAO'S OBJECTIVES

In June 1982, the committee asked GAO to evaluate OBRA's effects on AFDC and its recipients. GAO's preliminary analyses, reported in April 1984, addressed the committee's main questions. Broadly, GAO had been asked to (1) estimate the effect of the changes on the national AFDC caseload and outlays, (2) determine whether the changes in the treatment of earned income influenced the work effort of either the cases that OBRA removed from AFDC or the cases that stayed, and (3) ascertain the economic well-being of AFDC families affected by OBRA.

In May 1984, the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation asked that GAO's final report expand on OBRA's effects on the work behavior and circumstances of families removed from the program. (pp. 3-4)

THE AFDC PROGRAM

AFDC is administered by state welfare offices and partially funded by the U.S. Social Security Administration. The basic AFDC program provides cash assistance to needy children deprived of parental support by absence, incapacity, or death and, in 1982, cost $13 billion. Variations in state eligibility and payment standards are quite large. In September 1981, for example, the maximum monthly payment for a 3-person family was $96 in Mississippi and $571 in Alaska.

The OBRA provisions most relevant to GAO's evaluation (1) introduced a ceiling on gross income tied to the states' need standards and started counting a portion of resident stepparents' income, (2) reduced the amount of deductible earned income, by placing ceilings on deductions and calculating the standard earnings deduction on net rather than gross income, (3) limited the standard earnings deduction to 4 consecutive months, and (4) reduced the ceiling on allowable assets. (p. 2)

In response to GAO's initial report, and other national and local studies, the Congress eased some of OBRA's rules in 1984, but the rules remained stricter than before OBRA. These changes occurred after the data were collected for this study. (pp. 13-15)

GAO'S METHOD

GAO surveyed all state welfare agencies and examined monthly AFDC caseload and cost data to estimate OBRA's reduction of the national caseload and costs.

GAO also evaluated OBRA's effects on individuals and families in five sites chosen for their differences in benefits and their moderate unemployment rates during the national economic recession. Three were high-benefit sites: Boston, Massachusetts; Milwaukee, Wisconsin; and Syracuse, New York. Two were low-benefit sites: Dallas, Texas, and Memphis, Tennessee.

To gather data for these sites, GAO recorded information from 11,550 case records randomly sampled from caseloads at 3 points in time: 13 months before OBRA, 1 month before OBRA, and 11 months after OBRA. GAO also interviewed, 1-1/2 to 2 years after their cases closed, 668 working AFDC recipients who lost AFDC because of OBRA. (pp. 5-7)

Although GAO's report provides multiple perspectives on OBRA's effects, practical constraints on the study design limit the conclusions. In particular, OBRA's effects on caseload size and costs are set in a national perspective, but its effects on the cases in the five sites may not represent the national picture. The behavior and circumstances of families after they lost AFDC are drawn from case records and interview data. Each of these sources of information has strengths and limitations. (pp. 15-16)

OBRA'S EFFECTS ON AFDC AND ITS RECIPIENTS

GAO estimated earlier that OBRA decreased the national caseload by 493,000 cases and expenditures by $92.8 million monthly, effects GAO viewed as possibly transient and eroding. For the final analysis, additional caseload data provided a statistically better estimate, through June 1984, that the average monthly caseload fell by 442,000 cases and that the decline seemed not to be eroding. Short-run savings through June 1983 were slightly less than the projected $100 million monthly (additional payment data were not available). (pp. 20-23)

GAO found that in the five localities studied, OBRA's weight fell mainly on the relatively small number of AFDC recipients who had earned income, affecting some 66-86 percent of all earners in the program but only 4-15 percent of those without earnings. Among the employed, 38-60 percent lost benefits and 8-48 percent had benefits reduced. However, the monthly earnings of cases closed in the low-benefit sites were similar, on average, to those of earners in two of the high-benefit sites who remained in the program. In each site, the typical working recipient who lost benefits--indeed, the typical AFDC case--was a woman about 30 years old with 2 children. (pp. 26-29)

Return rates and incentives. Most of the earners who lost AFDC in the five localities did not return. Only 7-18 percent of the cases were open 1 year after the changes were implemented, and most of these were no longer employed. This low return rate demonstrates that most were able to remain independent of welfare. However, 43-75 percent of those whose benefits were only reduced were receiving AFDC a year later. (pp. 37-40)

The data give no strong evidence that welfare was made more attractive than employed self-sufficiency. Closed cases were no more likely after OBRA than before to become unemployed and return to AFDC. There were also no statistically significant changes in the likelihood of employment for the cases--either earners or nonearners--that were not closed. (pp. 37-44)

Caseload changes. Because OBRA's effects were concentrated on working AFDC recipients, the demographic characteristics of the total caseload changed little in the 11 months after OBRA. However, the proportion of earners in the caseload was reduced across the sites from 5-17 percent to 2-6 percent.

Assistance income (AFDC and food stamps) represented 94-99 percent of income for AFDC recipients after OBRA in the four sites where this information was available. Further, AFDC was 73-87 percent of total income in high-benefit areas but about 45 percent in low-benefit areas, where food stamps made up most of the difference. No more than 12 percent of the caseload received income from sources other than AFDC, food stamps, and earnings before and after OBRA. (pp. 44-49)

Economic well-being. Earners whose grants had been reduced and who were in AFDC a year later experienced substantial real-income losses (defined as loss of earnings plus AFDC and food stamps). Median losses were 16-20 percent, or $65-$152, per month. Earners terminated from AFDC (whether or not they returned) also typically had large real-income losses. Their median losses represented 12-26 percent, or $109-$189, less in monthly income 1-1/2 to 2 years later, even though many worked full-time and increased their earnings during this period. (pp. 59-62 and 69-72)

Closed cases in the low-benefit sites lost the greater percentage of their pre-OBRA income, partly because it had been lower, and a larger proportion (31-38 percent) were unemployed when GAO interviewed them. In low-benefit sites, 81-90 percent of households had income below the official poverty line 1-1/2 to 2 years after the loss of AFDC, compared to 30-44 percent in the high-benefit sites. (pp. 63-64)

Because food-stamp benefits increase as family income decreases, it was expected that the loss of AFDC would be partly compensated for by increases in food-stamp benefits. This generally happened for those whose AFDC grants were reduced but not terminated. Some families (8-48 percent) who became ineligible for AFDC also lost their food stamps, probably because OBRA also modified the Food Stamp Program. (pp. 55-59)

Hardships. Families who lost AFDC also lost Medicaid, some reporting that they had to forgo dental and medical care. Private health insurance coverage varied widely; in the low-benefit sites, half of the families who lost AFDC had no health insurance. Private coverage was less likely for the unemployed, for part-time workers, for employees with less job seniority (except in Dallas), and for employees in retail and personal services. These factors largely account for the low rate of private coverage in Memphis but not in Dallas (the two low-benefit sites). (pp. 101-09)

The people who were in perhaps the least satisfactory situation after their loss of AFDC, in terms of the loss of income and health insurance, included the 12-36 percent (across the sites) who were unemployed for at least 4-6 months. Those most likely to experience extended unemployment had generally worked while in AFDC for lower wages and (except in Milwaukee) for a shorter time for the same employer. Nonwhite mothers who had young children and had been in the program for a short time also had a high risk of unemployment. (pp. 109-12)

Coping with the income loss. One of the most common ways of coping with the loss of AFDC income was to increase earnings, although it is not clear how full-time employees did this. (One factor may be that average hourly earnings increased nationally.) Most of those who lost AFDC income held only one job, usually with the same employer, before and after OBRA. In all sites but Memphis they had typically been working full-time. (pp. 67-71)

In general, those whose AFDC benefits were terminated tended not to gain housing assistance or to move in order to save money. Most households did not change composition after losing AFDC, but those who did tended to add rather than lose members; 5-20 percent acquired members earning income. Many families in high-benefit sites (26-55 percent) used their savings; few did in low-benefit sites (7-10 percent). (pp. 72-74 and 78-83)

Child support did not lessen the effect of AFDC loss as a whole. Only a few families established new claims, and only 32-60 percent of those with claims received any support in a 3-month period. Child-care arrangements remained about the same before and after OBRA, except that, as the children grew older, the percentage under 13 with no supervision outside school increased significantly in Boston, Milwaukee, and Syracuse--from 2-7 percent before OBRA to 11-19 percent after. (pp. 77-78 and 85-88)

IMPLICATIONS FOR WORK AND WELFARE POLICY

The absence of a work disincentive and the fact that the typical recipient (except in Memphis) had been employed full-time before losing AFDC both suggest that wage levels and employment opportunities are at least as important as program incentives for enabling AFDC recipients to gain independence from welfare. (p. 125)

Since even some of the employed families had no private health insurance coverage 1-1/2 to 2 years later, those who lose AFDC benefits and are not covered by an employer's health plan will probably have no health insurance after the 9-month extension of Medicaid eligibility expires. (p. 125)

Differences across sites in the rate of case closings and the circumstances of families who lost AFDC reflect state differences in eligibility limits on income. As long as state-to-state differences in income limits remain large, federal changes tied to state-set limits will affect families in similar economic situations differently, depending on where they reside. (pp. 124-25)

VIEWS OF AGENCY OFFICIALS

GAO requested comments on a draft of this report from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Both chose not to comment formally, but program officials of each agency provided technical comments informally. These comments were considered in making the final report.

Contents

Page

DIGEST i

CHAPTER

1 THE OBJECTIVES OF THE EVALUATION 1
- The congressional request 2
- The evaluation design, scope, and methodology 4
- The context of the 1981 OBRA changes to AFDC 10
- Changes to the AFDC program since OBRA 13
- The limitations of the study design 15
- The report outline 16
- Views of agency officials 17

2 THE EFFECTS OF OBRA ON THE AFDC PROGRAM 18
- OBRA's implementation 18
- Effects on national caseloads and costs 19

3 THE EFFECTS OF OBRA ON AFDC CASELOADS AND INDIVIDUALS IN FIVE SITES 24
- Relationships between caseload reductions and changes in caseload activity 24
- Closings and reductions 26
- Changes in the dynamics of work and welfare in the caseload 34
- The characteristics of the caseload 44
- Summary of effects and site variations 49

4 FOOD-STAMP AND OTHER INCOME CHANGES FOR WORKING FAMILIES AFFECTED BY OBRA 52
- Initial losses of AFDC and food stamps 53
- Subsequent income losses 59
- Summary of effects and site variations 64

5 HOW FAMILIES COPED WITH THE LOSS OF AFDC INCOME 66
- Employment and earnings 67
- Changes in unearned income 72
- Changes in living arrangements and expenditures 82
- Joint coping actions 88
- Summary of effects and site variations 96

6 OTHER ASPECTS OF THE ECONOMIC WELL-BEING OF WORKING FAMILIES WHO LOST AFDC 99
- Relationships among reported hardships 99
- The incidence of health care forgone and refused 101
- Health insurance 101
- Factors associated with unemployment 109
- Summary 112

Page

CHAPTER

7 SUMMARY OF RESULTS AND OBSERVATIONS 115
Summary of results 115
The importance of site and state differences in program structure 121
General observations on work and welfare issues 122
Some implications of our results for work and welfare policy 124

APPENDIX

I Congressional request letters 127
II Tables 52-55 132
III Analysis of the effect of OBRA on AFDC-Basic caseload and payments 135
IV Tables 56-61 144
V Our loglinear modeling procedures 150
VI Glossary 166

FIGURE

1 The design of the case record component for the in-depth evaluation: the example of a state implementing the OBRA changes in October 1981 8
2 The national AFDC-Basic caseload: January 1973 to June 1984 20
3 The national AFDC-Basic payments: January 1973 to June 1983 21
4 Cumulative proportions of earner cases closed in the base and OBRA periods (adjusted for eligibility changes) by month and site 31
5 Cumulative proportions of earner cases that lost employment in the base and OBRA periods (adjusted for eligibility changes) by month and site 43

Page

FIGURE

6 The odds of full-time employees having private health insurance by industrial sector, job seniority, and site 108

7 The odds of earners terminated from AFDC experiencing extended unemployment by time in AFDC, race, and the presence of children under 6 years 111

8 The national AFDC-Basic caseload and households headed by unemployed women January 1973 to June 1984 137

TABLE

1 Description of sites 6

2 Number of states that reported implementing OBRA by month 11

3 Percentage of cases closed or reduced because of OBRA within the implementation window and closed for any reason by site 27

4 Demographic characteristics of earners who lost AFDC because of OBRA compared to other earners by site 28

5 Percentage of earner and nonearner cases that lost AFDC over 12 months in the base and OBRA periods, adjusted for eligibility changes, by site 31

6 Reasons for closings of base-period and OBRA-period earner cases throughout 12 months, adjusted for eligibility changes, by site 32

7 Reasons for closings of base-period and OBRA-period nonearner cases throughout 12 months, adjusted for eligibility changes, by site 33

8 Percentage of cases closed and open 12 months after the sample month, adjusted for eligibility changes, by site 36

TABLE		Page
9	Percentage rate of return, 1 year after sample month, of earner cases OBRA closed and of base-period and OBRA-period earner cases closed for any reason by site	37
10	Case status and change in employment and monthly earnings 1 year after sample month for earners with grants reduced by OBRA by site	40
11	Percentage of earner and nonearner cases that changed employment status over 12 months in the base and OBRA periods, adjusted for eligibility changes, by site	43
12	Characteristics of the caseload in the base, OBRA, and post-OBRA sample months by site	45
13	Reasons for the most recent openings in earner and nonearner caseloads in the base, OBRA, and post-OBRA sample months by site	47
14	Income and its sources in the caseload in the base, OBRA, and post-OBRA sample months by site	48
15	Gross income tests: 1981 state AFDC need standards compared to poverty level for 3-person households by site	54
16	Changes in earners' receipt of food stamps when OBRA terminated their AFDC grants by site	55
17	Changes in earners' receipt of food stamps when OBRA reduced their AFDC grants by site	58
18	Earners' monthly income and source of unearned income 1 month before their AFDC grants were reduced and 12 months after the sample month by site	60
19	Earners' monthly income 1 month before they lost AFDC because of OBRA and after, in the month of our interview, by site	62

TABLE		Page
20	Percentage of earner respondents who lost AFDC because of OBRA and their households by income level at the time of our interview by site	64
21	Percentage of earners employed in seven job types 1 month before they lost AFDC and after, in the month of our interview, by site	68
22	Earners' employment characteristics 1 month before they lost AFDC and after, at the time of our interview, by site	69
23	Earners' earnings characteristics 1 month before they lost AFDC and after, in the month of our interview, by site	70
24	Percentage change in employment and wages for earners who lost AFDC but had increased real earnings at the time of our interview by site	71
25	Average hourly wage for earners 1 month before they lost AFDC and after, in the month of our interview, by site, and for workers in the national labor force	72
26	Percentage of earners receiving public assistance 1 month before they lost AFDC and after, at the time of our interview, by site	73
27	Percentage of earners receiving income insurance and other public assistance after they lost AFDC (at the time of our interview) by site	74
28	Respondents' reasons for returning to AFDC after their cases were closed by site	75
29	Percentage of earners who lost AFDC and returned one or more times by site and employment status at time of return	76
30	Episodes of unemployment among earners who lost AFDC and how they resolved them by site	76

Page

TABLE

31 Child-support claims that earners who lost AFDC established and received monthly at the time of our interview by site 77

32 The household composition of earners 1 month before they lost AFDC and after, at the time of our interview, by site 79

33 Changes in the household composition of earners between losing AFDC and the time of our interview by site 80

34 Methods earners used to obtain cash after they lost AFDC by site 81

35 Percentage of earners paying for housing and their monthly payments before they lost AFDC and after, at the time of our interview, by site 82

36 Earners' changes in residence after they lost AFDC by site 83

37 Earners' child-care arrangements for children under 13 years 1 month before they lost AFDC and after, at the time of our interview, by site 84

38 The satisfaction of earners terminated from AFDC with their child-care arrangements at the time of our interview by site 86

39 Reasons earners changed their child-care arrangements after they lost AFDC by site 87

40 Monthly child-care costs for earners who lost AFDC by site 87

41 The relationship between the participation in assistance programs of earners who lost AFDC and their increase in real earnings by site 89

42 The relationship between new enrollment in assistance programs and increase in real earnings for earners who lost AFDC by site 90

TABLE		Page
43	The relationship between coping actions unrelated to earnings taken by earners who lost AFDC and their increase in real earnings by site	91
44	The participation of earners in food-stamp and energy- and housing-assistance programs before they lost AFDC and after, at the time of our interview, by site	93
45	The number of coping actions unrelated to earnings taken by earners after they lost AFDC by site	95
46	Pairs of coping actions earners took between losing AFDC and the time of our interview by site	95
47	Problems earners experienced after they lost AFDC by site	100
48	Percentage of earners who had to forgo or were refused medical and dental care after they lost AFDC by site	101
49	Health insurance coverage earners had for themselves and their children after they lost AFDC, at the time of our interview, by site	102
50	Coverage and payment characteristics of private health insurance policies earners and their children had after they lost AFDC, at the time of our interview, by site	103
51	A comparison of the Medicaid and private health insurance coverage for women heads of household and their children: households with incomes below and just above the federal poverty level in 1977 and households in GAO's low- and high-benefit sites at the time of our interview	104
52	Sample and estimated universe sizes for case record reviews by site	132
53	Interview completion rates by site	133

Page

TABLE

54 Standard errors of estimate for percentages derived from each full data set by site 133

55 OBRA provisions ranked by the states as affecting AFDC caseloads and payments 134

56 Cumulative proportions of earner and nonearner cases closed in the base and OBRA periods, adjusted for eligibility changes, by month and site 144

57 Cumulative proportions of earners and nonearners who changed employment status in the base and OBRA periods, adjusted for eligibility changes, by month and site 145

58 Income and its sources in the earner caseload in the base, OBRA, and post-OBRA sample months by site 146

59 Income and its sources in the nonearner caseload in the base, OBRA, and post-OBRA sample months by site 147

60 Earners' child-care arrangements for children aged 2-5 years 1 month before they lost AFDC and after, at the time of our interview, by site 148

61 Percentage of cases OBRA closed that gave child-care problems as the reason for changing work and welfare behavior by change and site 149

62 Marginal frequencies and percentages for variables analyzed in loglinear models of factors associated with extended unemployment by site 154

63 Confirmation of preferred model for loglinear analysis of factors associated with extended unemployment 156

64 Odds derived from the preferred model for factors associated with extended unemployment: hourly earnings less than minimum wage to $1 over minimum 157

Page

TABLE

65 Odds derived from the preferred model for factors associated with extended unemployment: hourly earnings more than $1 over minimum wage 158

66 Odds ratios derived from the preferred model for factors associated with extended unemployment 159

67 Marginal frequencies and percentages for variables analyzed in loglinear models of factors associated with private health insurance coverage by site 160

68 Confirmation of preferred model for loglinear analysis of factors associated with private health insurance coverage 162

69 Odds derived from the preferred model for factors associated with private health insurance coverage by site 163

70 Odds ratios derived from the preferred model for factors associated with private health insurance coverage 164

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
AFDC-UP	Aid to Families with Dependent Children--Unemployed Parent
ARIMA	Autoregressive integrated moving average
GAO	U.S. General Accounting Office
HHS	U.S. Department of Health and Human Services
NMCES	National Medical Care Expenditure Survey
OBRA	Omnibus Budget Reconciliation Act of 1981
RTI	Research Triangle Institute
SMSA	Standard Metropolitan Statistical Area
SSA	Social Security Administration
WIC	Supplemental Food Program for Women, Infants, and Children
WIN	Work Incentive Program

CHAPTER 1

THE OBJECTIVES OF THE EVALUATION

The Omnibus Budget Reconciliation Act of 1981 (OBRA, Public Law 97-35) made substantial changes to the Aid to Families with Dependent Children program (AFDC), particularly regarding the earned income of welfare recipients. These changes were aimed at reducing costs by directing resources to the "most needy" and creating disincentives for welfare dependence. On June 15, 1982, the House Committee on Ways and Means requested that we evaluate the effects of the changes OBRA made to AFDC. This is the final report of our evaluation of the 1981 changes; it includes the results of our initial analyses, reported on April 2, 1984, in An Evaluation of the 1981 AFDC Changes: Initial Analyses (GAO/PEMD-84-6), and our further analysis of those changes and our evaluation of other topics not covered in the first report, including changes in child care, housing arrangements, and household composition.

AFDC encompasses two programs: AFDC-Basic and AFDC-UP (Unemployed Parent). The former provides cash assistance throughout the states to needy children deprived of parental support or care by reason of the death or the continued absence or incapacity of a parent. AFDC-Basic benefits totaled $13.1 billion in fiscal year 1982. The much smaller AFDC-UP program provides assistance in 23 states to needy children in two-parent families in which the principal wage earner is unemployed. Benefits paid out under this program in fiscal year 1982 totaled $1.1 billion.

Because the two programs have different rules and AFDC-UP is only a small proportion of the national AFDC caseload, our evaluation is limited to the AFDC-Basic program. We also excluded foster-care cases. All further references to AFDC in this document are to the AFDC-Basic program, unless otherwise noted.

AFDC is administered by welfare offices in the states and territories, with oversight from the federal Office of Family Assistance in the Social Security Administration (SSA) in the U.S. Department of Health and Human Services (HHS). The states define need standards for family income (which are used to determine eligibility), set benefit levels, establish resource and income limits (within federal guidelines), and administer the program or supervise its administration by local welfare agencies. Therefore, the variation in benefits can be considerable. For example, in September 1981, the state payment standards for a three-person family ranged from the low of $96 per month in Mississippi to the high of $571 in Alaska. The federal government pays a proportion of each state's benefit payments. The federal share varies according to state per capita income. In fiscal year 1983, the federal government paid between 50 and

77 percent of the states' benefit payments and 50 percent of the states' administrative costs.

THE CONGRESSIONAL REQUEST

In its original request, the Committee on Ways and Means indicated that its primary interest was in the OBRA provisions on the receipt and treatment of earned and unearned income. Thus, of the 22 provisions in OBRA on the AFDC program, the 6 that are most relevant to our evaluation include

--introducing an eligibility test, in addition to an existing net-income test, that limits the gross income of an eligible family to 150 percent of a state's need standard;

--including in the eligibility criteria and benefit computations a portion of the earned income of step-parents residing with dependent children;

--tightening the eligibility limitation on a recipient's allowable assets (excluding an owner-occupied home and automobile) from $2,000 per person to $1,000 per family;

--limiting to $75 the previously unlimited disregard of work expenses from monthly earned income when computing benefits for a full-time worker (and limiting the disregard to a smaller amount for recipients working less than full-time throughout the month);

--limiting to $160 per child the previously unlimited disregard of child-care expenses from monthly earned income when computing benefits; and

--changing the calculation of the disregard of the first $30 and one third of the remaining monthly income from before to after the application of the disregard of child-care and work expenses and, in computing benefits, restricting the application of this "$30+1/3 disregard" to 4 consecutive months of employment.

(The letter requesting this study is reproduced in appendix I.)

These and other provisions in OBRA could create disincentives for dependence on welfare by reducing the income advantages for employed recipients and by removing from the AFDC program some cases with income sources in addition to AFDC. For example, OBRA imposed a 4-month limit on an older provision in which the first $30 of earned income and one third of the remainder were disregarded. This "$30+1/3 earned-income disregard" had been viewed when it was implemented in 1969 as an incentive for welfare recipients to work, because it reduced the "welfare tax" on earnings from 100 percent to 67 percent. By contrast, in 1981, this provision and related rules of the AFDC program were seen as fostering rather than discouraging dependence on welfare by providing an indefinite welfare income supplement to people with modest but not unusually low earnings. Therefore, to reduce federal costs and to direct resources to the most needy, the eligibility rules were generally tightened.

Specifically, the Committee on Ways and Means asked us to

1. ascertain the economic well-being of the individuals and households who were removed from the program and those who received smaller benefits as a result of these changes,
2. determine what happened to the earnings patterns of those who were removed, whether they increased their earnings to make up the loss of benefits or reduced their work effort and became fully dependent on public assistance for their support,
3. estimate the budgetary effect of the changes,
4. examine the effect of the changes on family or household composition, and
5. provide information about the demographic, income, and resource characteristics of AFDC families, both before and after the OBRA changes, and their movement in and out of the program.

In our April 2, 1984, report entitled An Evaluation of the 1981 AFDC Changes: Initial Analyses, we discussed OBRA's effect on the AFDC national caseload and outlays, changes in the earnings patterns and use of welfare among individuals in five sites who were removed from the program, and the economic well-being of working families in those sites who were removed from the program--that is, questions 1, 2, 3, and 5.[1] Subsequently, in May 1984, the chairman of the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation asked us to provide additional information on

--the circumstances of families removed from the program, specifically their simultaneous loss of food stamps, which was often reported with AFDC termination, their job types and work effort, and their child-care arrangements;

---

[1] For brevity, we refer to the April 2, 1984, report as Initial Analyses.

--the changes in the rates at which recipients began work while in the AFDC program; and

--the influence of the economic recession, or increasing unemployment, on the work effort of families whose AFDC benefits were terminated.

(The letter requesting this information is reproduced in appendix I.) Additionally, the chairman requested us to attempt to explain, where possible, the variations in the results of our analysis of the five sites in our initial report.

In this second report, we supplement the findings of the initial report by both refining the responses to the questions addressed previously and answering the remaining questions. Three broad issues concerning the changes that OBRA made to the AFDC program underlie the congressional requests and provide the structure for this report.

The first issue is what has occurred nationally with respect to AFDC caseloads and outlays (chapter 2). The second is whether changes such as the time limit on the $30+1/3 earned-income disregard and the 150-percent limit on gross income, and the potential loss of Medicaid with the loss of AFDC, prompted families to decide not to work and to rely totally on AFDC (chapter 3). The third is how the well-being of families who lost AFDC or received reduced AFDC benefits has changed, regardless of OBRA's effect on their dependence on welfare (chapters 4, 5, and 6).

In chapter 7, the last chapter, and throughout this report, we have attempted to explain variations in results across our sites. However, we are unable to estimate the influence of the recession on the work effort of families removed from the program because of our choice of sites, which were not greatly affected by the recession. Later in chapter 1, we discuss how our study design and analysis addressed the issue of the effects of OBRA in the context of the economic recession that was concurrent with our period of study.

THE EVALUATION DESIGN, SCOPE, AND METHODOLOGY

The design of our evaluation of OBRA's effects on AFDC has two major components: (1) a national component that includes two data sources--a survey of all state welfare agencies and monthly caseload and outlay data on the AFDC program from HHS--and (2) an in-depth component that involved separate evaluations of OBRA's effects on individuals and families in Boston, Massachusetts; Dallas, Texas; Memphis, Tennessee; Milwaukee, Wisconsin; and Syracuse, New York. To help us in the design, implementation, and analysis of our evaluation, we formed an evaluation advisory committee of representatives from the Congressional Budget Office, the Congressional Research Service, and the welfare research community.

The national component

We surveyed all state and territorial welfare agencies, asking for information on the timing of the implementation of the OBRA changes, the implementation procedures that were used, officials' views of the provisions that had the greatest effect on caseloads and outlays, and the legal challenges that were encountered. We requested further information on changes in state AFDC programs to such elements as need standards, payment standards, liquid-asset limits, and practices regarding child-care expenses. We received responses from all 50 states, the District of Columbia, Puerto Rico, and Guam. To this information we added monthly data on the national AFDC-Basic caseload from January 1973 to June 1984 and on outlays from January 1973 to June 1983, which we obtained from archival sources published by HHS and from the Office of Research and Statistics in SSA. From these data, we summarized the states' implementation of OBRA and estimated OBRA's effects on AFDC-Basic caseloads and outlays nationwide.

The in-depth evaluations

To ascertain OBRA's effects on AFDC families, we conducted separate in-depth evaluations at five sites rather than draw a random sample of cases or sites that would have permitted the projection of the results nationally. There were four factors in this decision. (1) We anticipated that the effects of the OBRA changes would vary geographically because of differences in state AFDC programs, such as their payment levels. The states with the higher need standards permit AFDC cases to have greater non-AFDC income and, often, these states have a larger proportion of the caseload with non-AFDC income than states with lower need standards. (2) We wanted to look at OBRA's effects in places where the implementation had proceeded smoothly, in order to observe OBRA's effects more clearly. The states differed in when and how they implemented the OBRA changes. For example, some terminated AFDC eligibility for recipients but then faced legal challenges that required them first to reinstate cases and then to repeat the termination process. (3) Confining our data collection to discrete geographic areas made gathering detailed data from case records and interviews more feasible. (4) Because the OBRA changes were targeted toward cases with earned income, and because cases with earned income are a small proportion of the caseload, we needed to be able to sample a larger proportion of the caseload with earnings than without earnings in order to derive sample sizes large enough for statistical precision. Constructing representative samples of earner and nonearner AFDC cases required monthly caseload listings that indicate the presence or absence of earned income, and these were not available in every state.

The sites

In selecting sites, we chose areas that differed in AFDC payment levels, implemented the changes with relatively few complications, and did not have large increases in unemployment during our study period. We believed that these factors would influence our ability to observe the effects of OBRA clearly. We avoided states where the AFDC need standard was greatly increased close to the time of the implementation of OBRA. Increasing the need standard could partially offset the effects of the 150-percent gross-income limit, and we wanted to look only at sites where the full effects of the major changes would be manifested.

Table 1 contains descriptive information on the five sites we selected. (The caseload sizes for these sites are given in

Table 1

Description of Sites

Characteristic	Site Boston[a]	Dallas	Memphis	Milwaukee	Syracuse
OBRA implementation window[b]	10/81- 3/82	10/81- 2/82	10/81- 2/82	1/82- 2/82	1/82- 5/82
AFDC payment standard (3-person household 9/80)	\$379	\$116	\$122	\$444	\$351
AFDC need standard (3-person household 9/80)	\$379	\$155	\$179	\$522	\$351
AFDC administration	State	State	State	County	County
Medically needy program	Yes	No	Yes	Yes	Yes
AFDC-UP program	Yes	No	No	Yes	Yes
Unemployment rates					
SMSA					
1980	5.1%	4.4%	6.1%	6.2%	7.3%
1981	5.9	4.6	8.2	7.4	6.9
1982	6.7	5.7	9.7	10.5	8.0
1983	5.8	5.2	9.5	10.4	7.9
Median county rent 1980	\$192	\$247	\$155	\$196	\$187

[a] Boston is the only site where the samples are not representative of the county but are drawn from three city welfare offices--Church Street, Grove Hall, and East Boston.

[b] The months during which the major OBRA 1981 AFDC changes were initially applied to the caseload. In general, this is a 5- or 6-month period encompassing the limit on gross income to 150 percent of the state need standard and the loss of the \$30+1/3 earned-income disregard after 4 continuous months. In Wisconsin, the implementation window is only 2 months because in January 1982 Wisconsin began terminating cases because of OBRA. However, the 4-month period for the \$30+1/3 disregard provision was started in October 1981; thus, cases losing AFDC eligibility for this provision closed in February 1982. In Boston, the window was lengthened to reflect large numbers of cases for which the first month closed was March 1982.

table 52 in appendix II.[2]) These cities are all urban areas that differ in a number of ways, including their AFDC programs. The need and payment standards in Massachusetts, New York, and Wisconsin are among the highest in the country, while those in Tennessee and Texas are among the lowest. We refer to these as "high-benefit" and "low-benefit" states, respectively.

Although the cost of living differs between these two classes of states, the difference is far surpassed by the difference in benefit levels. For example, in 1980, median monthly rents paid for housing ranged from $155 to $247 in the counties of our sites while the maximum benefits paid to three-person families--that is, the payment standard--ranged from $116 to $444.

We chose sites whose local unemployment rates were similar to or less than the national average, but the industries in these sites differ. Manufacturing represents the largest "employment share" in Milwaukee, wholesale and retail trade have the largest share in Dallas and Memphis, and the service industry is predominant in Boston. These three industries are represented equally in Syracuse.

Our data on AFDC recipients in Dallas, Memphis, Milwaukee, and Syracuse are from county AFDC caseloads. Since special studies were being conducted in some Boston welfare offices, we confined the Boston evaluation to three city welfare offices--Church Street, Grove Hall, and East Boston (our results, therefore, cannot be projected to the entire caseload of the city of Boston).

Data collection

At the five sites, we reviewed 11,550 case records and interviewed 668 persons who had been working while enrolled in AFDC but lost AFDC benefits because of OBRA. Because working recipients constitute only a small proportion of the entire AFDC caseload but were the prime focus of our study, we oversampled these recipients for the case-record review. We designated cases "earners" if records showed they had earnings on the first of the sample month; all other cases we designated "nonearners." We sampled earners and nonearners separately at three time points: 13 months prior to OBRA's implementation, called "base-period" groups; 1 month prior to OBRA's implementation, called "OBRA-period" groups; and 11 months after OBRA's implementation, called "post-OBRA" groups.

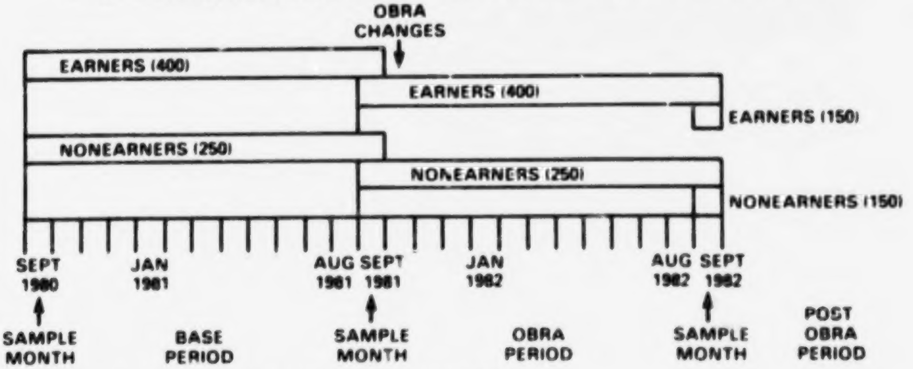
For the base-period and OBRA-period groups, we recorded case information over a 13-month tracking period, beginning with

---

[2] These figures differ slightly from those in Initial Analyses because here we have used a stricter definition of "earners": cases in which earnings were included in the grant calculations in the sample month.

FIGURE 1

THE DESIGN OF THE CASE RECORD COMPONENT FOR THE IN-DEPTH EVALUATION: THE EXAMPLE OF A STATE IMPLEMENTING THE OBRA CHANGES IN OCTOBER 1981*


OBRA CHANGES
EARNERS (400)
EARNERS (400)
EARNERS (150)
NONEARNERS (250)
NONEARNERS (250)
NONEARNERS (150)
SEPT 1980
JAN 1981
AUG 1981
SEPT 1981
JAN 1982
AUG 1982
SEPT 1982
SAMPLE MONTH
BASE PERIOD
SAMPLE MONTH
OBRA PERIOD
SAMPLE MONTH
POST OBRA PERIOD

*NUMBERS IN PARENTHESES INDICATE PLANNED SAMPLE SIZE

the sampling month, in order to compare welfare participation patterns. For the post-OBRA group, we collected 1 month of data on types of assistance and demographic characteristics in order to address questions of differences in caseload characteristics before and after OBRA's implementation. (See figure 1 for a diagram of these time periods.)

For statistical precision, we wanted in each site minimum samples of 400 earners and 250 nonearners for the base and OBRA periods and 150 earners and 150 nonearners for the post-OBRA period. Computerized records made it possible for us to increase the sample sizes to twice these minimums in Boston and Milwaukee.

We conducted our interviews at the five sites with random samples of individuals who had been working and receiving AFDC benefits when the OBRA changes occurred and who lost AFDC eligibility because of OBRA during the "implementation window" indicated in table 1.[3] The implementation window is a period of 2 to 6 months, depending on the site, during which the major changes that OBRA made to earned-income rules were applied to the local caseload. Our interview samples were randomly drawn from cases in the OBRA-period earner group that were identified by the case-record review as having lost eligibility because of OBRA. We attempted to complete at least 130 interviews at each site. A contractor, Market Facts, Inc., conducted the interviews, paying respondents $10 each as an incentive to participate. The response rates ranged from 73 to 88 percent in the five sites (and they are explained in table 53 in appendix II).

---

[3] The interview instrument is available on request from the Program Evaluation and Methodology Division of the U.S. General Accounting Office.

The analysis

The evaluation incorporates a range of approaches and sources of data in order to address each of the committee's questions about OBRA's effects on caseloads and individuals. Our analysis of data from the national component of the study provides information about the states' implementation of OBRA's changes to AFDC and the national effects on caseloads and outlays. We analyzed case records and interview data from our in-depth evaluations to address the questions about earnings and welfare use patterns, characteristics of the AFDC caseload before and after OBRA, and the economic well-being of working families terminated from AFDC. Many of the study questions required information about individuals rather than about the aggregate caseload, and the questions about changes in individuals' work versus welfare behavior required longitudinal data. These were obtained from the case-record reviews and from our interviews.

We have presented the results of our five in-depth evaluations in terms of percentages rather than the number of cases in our samples or projected numbers in the county caseloads. (We cannot project our findings in the five sites to the nation.) The large differences between the sites in caseload size make percentages the more meaningful measure for comparing the data.

In all but a few instances, the data we have reported in our text, tables, and illustrations are estimates derived from random samples, not universes. Because of sampling error, figures calculated from a random sample are expected to differ slightly from figures calculated from an entire universe (for example, a county's caseload) from which a random sample is drawn. Percentages near 50 derived from the case-record data on earners in the base and OBRA periods can be expected (with a 95-percent confidence interval) to vary as much as 2.1 percentage points from reported figures.

Standard errors for percentages derived from the interviews of OBRA earner terminees tend to be larger, given the smaller sample sizes. Standard errors for figures derived for any of the subgroups of either the case-record or the interview data grow larger as the size of the subgroup decreases. We report whole numbers where sample sizes drop below 30. (In table 54 in appendix II, we list the standard errors associated with sample figures of 20 and 50 percent for each of the full study samples in each site and for frequently reported subsamples.) Standard errors are largest for sample estimates of 50 percent and decrease as the estimates depart from 50 percent.

Small sample sizes, like those in some of our subgroup analyses, generally reduce one's ability to detect a small "true" difference between groups. In these instances, we may fail to find that a difference is statistically significant; larger sample sizes might show that the same difference is unlikely to occur by chance alone (that is, that it is statistically significant). Also, the more statistical comparisons that are made, the more likely it is that a few will be statistically significant by chance alone. In light of these uncertainties, we have provided substantive interpretations of our statistically significant findings only when they appear in more than one site or when other evidence suggests that they are not simply the result of chance fluctuations. Our review was performed in accordance with generally accepted government auditing standards.

THE CONTEXT OF THE 1981 OBRA CHANGES TO AFDC

Both the manner and the context in which the AFDC program changes were made are important considerations in attributing observed outcomes to OBRA. At least three factors make this attribution complex: the changes that OBRA made to AFDC did not constitute a nationally uniform event, the changes to AFDC were not the only program changes that OBRA made, and economic conditions changed during this period.

The implementation of the changes

The OBRA changes to AFDC were not a uniform event throughout the states and territories. (For brevity, we refer to them collectively as states.) The changes became effective in October 1981 and, by February 1982, most of the states had implemented the provisions on gross and earned income that were the primary concern of this evaluation. Table 2 lists the 22 OBRA provisions on AFDC and the months the states reported having implemented them. The implementation of the OBRA provisions was delayed for a variety of reasons such as the need to conform to state statutes on the AFDC program and the need to collect additional information from AFDC recipients in order to apply some of the new provisions.

The OBRA changes were not felt equally in all the states for reasons other than timing, however. Some states chose not to implement the optional provisions. In some states, some provisions were already part of state law. In addition, some states reported that they compensated for the anticipated effect of the OBRA provisions by using state funds, for example, to provide benefits to cases made ineligible under the federal provisions. In designing our in-depth evaluations, we recognized these factors in our choice of sites and time periods for study, as discussed above, and in our analyses of national program data modeled the effect of OBRA as a gradual change.

Table 2

Number of States That Reported Implementing OBRA by Month[a]

	1981			1982													
Provision	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1983	[b]
150% gross-income limit	31	10	5	5	1	1											
4-month limit on earned-income disregard	3			2	39	5	2	1	1								
Disregard calculation on net income	28	10	6	4	1	3								1			
$75 work-expense limit	28	11	5	5	1	1										1	1
$160 child-care limit	25	10	6	6	1	2	1										2
Stepparent income	21	7	3	4	3	3	1			1		1					9
$1,000 asset limit	18	9	6	5	3	2	1	1	1	2					1		4
$10 minimum payment	26	7	5	6	2	1	2			1					1		2
18-21-yr-old dependents	14	5	4	5	2		1	1		1						1	19
3rd-trimester pregnancy limit	11	6	4	4	1	1	1			1			1			1	22
Earned-income tax credit	19	9	4	5	3	3	1			1		1			2	2	3
Lump-sum averaging	22	9	4	6	2	3	1			1					2		3
Striker exclusion	23	8	3	5	3	2	1			1	1				2		4
Alien-sponsors income	22	8	6	3	1	1	2			1	1	2			1	2	3
UP principal earner	7	7	1	3	1	1				2						1	30
Vendor restrictions removed	15	4	2	3		2				1		1	1		1	1	22
Monthly reporting	8	3	1	3		2	2	1	2	6	3	5	2	2	1	5	7
Retrospective accounting	8	2	1	2		2	2	1	2	6	3	4	1	2	1	6	10
Under- or over-payments	13	6	2	4	5	1	1	1		3		1	1	1	1	3	10
Work Incentive Program	2			3		2	3		1	1		3	2			1	35
Community Work Experience Program				3			1	1		1	2	2	1		1	6	35
Work Supplementation																	53

[a] Fifty states, the District of Columbia, Puerto Rico, and Guam.

[b] States implementing before OBRA, not implementing, and responding "not applicable."

OBRA changes to other programs

Besides affecting AFDC, OBRA tightened the national eligibility requirements for the Food Stamp Program. In addition to maintaining the previously established net-income eligibility test, OBRA initiated a gross-income test for food stamps that affected cases that, prior to OBRA, had had gross incomes higher than 130 percent of the national poverty line but had claimed deductions sufficient to meet the net-income test for food stamps. This change was to take effect in October 1981, but the actual date of implementation varied by state.

Another OBRA provision changed the definition of the "food-stamp household." OBRA stipulated that the income of an applicant's parents who are younger than 60 and also residing in the household be included in the food-stamp eligibility determination, even if they purchase and prepare food separately. The states were allowed to implement this change gradually, as cases came due periodically for recertification.

OBRA made changes also to the Medicaid program that allowed the states to give benefits to some persons who would not otherwise be eligible for them because of changes to the AFDC program. Before OBRA as well as after, persons deemed eligible for a state's AFDC program were categorically eligible for that state's Medicaid program. The OBRA changes allowed the states, at their option, to extend Medicaid coverage to persons between the ages of 18 and 20 and to pregnant women (starting with the medical verification of a pregnancy), even though they were no longer eligible for AFDC under federal rules. Although our study focused on the effects of the OBRA changes on AFDC recipients, we discuss effects that the OBRA changes to the Food Stamp Program may have had on them.

Economic conditions

A major difficulty for studies of this kind is the attempt to separate the legislative effects on the program and its recipients from the concomitant effects of the 1980-82 economic recession. Given earlier research, some analysts expect welfare rolls to increase and families to be more likely to receive welfare benefits when the unemployment rate increases. In fact, the average national monthly unemployment rate increased from 7.0 percent in 1980 to 9.5 percent in 1983, but state and local unemployment rates varied dramatically in this period. For both components of the evaluation, the effect of a change in unemployment could blur the observation of the independent effects of OBRA.

Acknowledging this problem when designing our study, we attempted to reduce, if not eliminate, the effect of economic change in two ways. First, in a time-series analysis of change in the national caseload, we explicitly took into account employment fluctuations in order to arrive at an estimate of OBRA's effect on the national caseload.

Second, we selected sites for in-depth evaluation only after examining the monthly series of local unemployment rates from October 1980 to October 1982 in a number of localities. Potential sites were those whose unemployment rates in this period were similar to or lower than, and increased no more than, the national unemployment rate. However, since unemployment rates did increase in each site, we cannot conclusively attribute all observed effects on work and welfare behavior to OBRA rather than the recession. Furthermore, throughout this report, when discussing the results of analyzing case records and interviews, we have attempted to distinguish between administrative actions that clearly stem from OBRA and changes in the behavior or circumstances of individuals that may or may not stem solely from OBRA but are of interest in themselves.

CHANGES TO THE AFDC PROGRAM SINCE OBRA

This report does not address changes that the Deficit Reduction Act of 1984 (Public Law 98-369) made to the AFDC, Medicaid, and Food Stamp programs after the completion of our study. The information in our previous report and several other national and local studies of OBRA's effects on the AFDC program led to the modification of some of the OBRA changes by means of the Deficit Reduction Act, increasing benefits, liberalizing eligibility for working recipients and their families, and generally easing some of the OBRA rules. The 1984 changes most relevant to our evaluation include

--raising the AFDC gross-income limit from 150 percent of a state's need standard to 185 percent of a state's need standard;

--extending the disregard of the first $30 of an AFDC recipient's earnings from the first 4 months to the first 12 months on a job. The disregard of a third of the remaining earnings is still limited to 4 months;

--requiring states to extend Medicaid coverage for 9 months to persons who lose AFDC and Medicaid eligibility because of earnings, provided they would have continued to receive AFDC if one third of their remaining earnings were disregarded. States are permitted to add another 6 months of Medicaid coverage;

--raising the AFDC work-expense deduction for part-time workers to the $75 level for full-time workers;

- --allowing the "pass-through" of the first $50 of monthly child-support payments to AFDC recipients and the disregard of these payments by the states when calculating family income; and

- --counting the income of all parents and siblings in a household when determining AFDC eligibility and benefits.

In addition, the Deficit Reduction Act requires the states to provide Medicaid coverage to certain persons whose coverage was previously at the states' option. The states must give Medicaid

- --from the verified date of pregnancy to pregnant women who, were the child already born, would be eligible for AFDC (including the Unemployed Parent component, even if the state does not offer AFDC to two-parent families whose principal breadwinner is unemployed) and

- --to needy children up to age 5, born on or after October 1, 1983, in two-parent families.

However, the states retain the option of giving Medicaid to all needy children until they become 21.

These changes still result in eligibility rules that are stricter than the rules prior to OBRA, when there was no gross-income test, no time limit on the $30+1/3 earnings disregard, and no limits on the child-care and work-expense deductions. The extension of Medicaid coverage is also more restrictive than before OBRA, when working cases could retain indefinitely the amount of a disregard, and thus AFDC and Medicaid eligibility, if their earnings remained constant. However, the 1984 child-support provision in the Deficit Reduction Act allows for more income than was available to some recipients before OBRA because both before and after OBRA, child-support payments were collected by the government, not passed on to the family, and were used to defray the expense of providing AFDC benefits.

These changes may have had effects independent of OBRA's on the AFDC program and recipients, but they were outside the scope of our study. For example, the 1984 changes may have increased the caseload and costs by making some families eligible who previously were not, and they may have extended AFDC eligibility to some of the families in our study who reported that they had experienced difficulties. Because the 1984 changes were made after the completion of our study, they of course do not affect our estimates of the effects of OBRA in 1981-83. Our data do not reflect the circumstances in 1984 of either the caseload or the families who lost benefits because of OBRA.

However, our study does describe the effects, including behavioral effects, of the OBRA legislation, and it provides detailed information about a segment of the AFDC population that has been of particular policy interest for several years. We expect the information we provide on these issues to be informative to researchers and policymakers alike in the continuing debate about national work and welfare policy. In the last chapter, chapter 7, we explicitly discuss the implications of the results of our evaluation of the changes that were made to AFDC in 1981 for welfare issues that continue to be of concern after the changes that were made in 1984.

THE LIMITATIONS OF THE STUDY DESIGN

Every study design entails trade-offs and inevitably leaves some questions unanswered. Our strategy for designing the in-depth evaluations reflects a compromise between the issues we were asked to address and the limits imposed by the practical considerations of the availability of data and time. The major limitations on our study's conclusions are the six that follow.

1. Our study is confined to the effects of OBRA on AFDC cases that were active when OBRA was implemented and, therefore, eligible for benefits under the earlier program rules. We made no effort to investigate OBRA's effects on applications for AFDC or on the dynamics of cases becoming eligible after OBRA was implemented.

2. Detailed information like that collected for the economic well-being of families who were terminated from AFDC was not collected for similar samples of low-income households headed by women who were not recipients of AFDC. Thus, our study provides no direct information on whether AFDC and non-AFDC persons in similar economic situations experienced comparable difficulties during our study period. When possible, we have cautiously attempted to compare our descriptive results with those of other studies, noting that these comparisons were not always made between optimally comparable groups.

3. Our interview data are from the reports of individuals. Statements in these interviews about AFDC grants, food-stamp benefits, earnings, and the like were not verified against program records, pay stubs, or other documentation. However, we did check for inconsistencies within each interview and coded questionable items "missing." We checked a sample of items for consistency between the case records and the interviews, and we found it satisfactory.

4. The base-period cases provide an essential perspective on case dynamics before OBRA. In an assessment of the effects of OBRA, the utility of comparisons between base-period and OBRA-period cases depends on how accurately the 1-year base period represents what happened before OBRA. We found it not

feasible to construct additional base-period samples to investigate whether our baselines were adequately representative.

5. The utility of comparisons between the base-period and OBRA-period samples depends further on how well we excluded factors other than OBRA that might have influenced case dynamics in the OBRA period. We chose sites carefully to avoid or minimize the influence of changes in state AFDC need standards and the deterioration of economic conditions. However, our design of the in-depth evaluations does not permit a separation of these and other such factors from the results of our analyses.

6. Estimates of dollars and numbers of cases derived from the five in-depth evaluations cannot be projected to the national caseload. The in-depth evaluations were conducted to permit exploration of the changes underlying the national effects, not to provide statistical estimates of these effects. However, we are reasonably confident that the findings that are replicated across the sites are generally applicable to other areas where the OBRA changes were implemented smoothly and where no other major confounding events occurred.[4]

Each of our data sets--national program data, administrative case records, and interviews--has limitations that prevent its being used for answering certain questions. For example, case records provide our most reliable information on the activity of public assistance offices but provide little information on the behavior of persons who were not receiving AFDC benefits. However, we have confidence in our conclusions about each question to the extent that similar answers to that question emerged from the different data sources.

THE REPORT OUTLINE

The six chapters that follow present the results of our analyses. In chapter 2, we describe the states' implementation of the OBRA changes and estimate OBRA's effect on the national caseload and costs (the committee's third question). Then, in chapter 3, we turn to the in-depth component of our evaluation to examine in detail the extent of case closings, grant reductions, and changes in the patterns of AFDC use and work behavior among cases receiving AFDC at the time OBRA was implemented. Further, we describe changes in caseload composition and available resources before and after the OBRA changes (questions 2 and 5).

---

[4] We excluded from consideration sites where events could blur our observation of OBRA's effects, such as where industrial plants closed and where special work programs were introduced for welfare recipients during the OBRA period.

In chapter 4, we begin our description of the subsequent economic well-being of families directly affected by the OBRA changes (question 1) by summarizing our analyses of their immediate losses of assistance income, their initial changes in food-stamp receipt, and the extent and composition of income changes reported 1-1/2 to 2 years after OBRA's implementation. In chapter 5, we explore how families who lost AFDC because of OBRA coped with the income loss, examining changes in earned and unearned income, assets, housing, household composition, and child-care arrangements (questions 2 and 4). In chapter 6, we examine the characteristics of families who experienced the greatest difficulty--particularly with regard to unemployment and lack of health insurance--after they lost AFDC. Chapter 7 is a summary of conclusions about OBRA's effects. It also contains several observations on the implications of our results for the continuing debate about national welfare policy. In the appendixes are the congressional request letters (appendix I), technical discussions of our analyses and tables that expand on data given in the main body of the report (II-V), and a glossary (VI).

VIEWS OF AGENCY OFFICIALS

We requested comments on a draft of this report from both the Department of Health and Human Services and the Department of Agriculture. HHS chose not to comment formally but provided technical comments informally. The Department of Agriculture provided informal comments after the 30-day review period. We considered both sets of comments in completing the report.

CHAPTER 2

THE EFFECTS OF OBRA ON THE AFDC PROGRAM

The many changes that the Omnibus Budget Reconciliation Act of 1981 made to the rules governing eligibility for AFDC and the determination of benefits were intended to reduce program costs by directing resources to the "most needy." Because some states had to reconcile OBRA with state statutes, among other things, only 70 percent had implemented the major income provisions by February 1982. Answering our requests for information, most of the state welfare offices ranked the 150-percent gross-income limit as having had the greatest effect on both their caseloads and payments. During the 2 years after October 1981, the OBRA changes reduced the monthly AFDC caseload and its costs. Although the reduction of 442,000 cases, through June 1984, was slightly more than the administration's projection of the number of cases that would close, the reduction in costs of $93 million per month, at least through June 1983, was fairly similar to its projection.

OBRA'S IMPLEMENTATION

For 70 percent of the states, the implementation of the provisions on gross income, earned income, dependents, and pregnancy was completed between October 1981 and February 1982 (see table 2). However, the states began implementation at different times throughout a 6-month period, and 13 percent of the states did not begin implementation before January 1982. The monthly reporting and retrospective budgeting provisions also tended to be implemented relatively late. About 28 percent of the states reported having had to contend with legal challenges to their implementation of the OBRA provisions. Additionally, some provisions were applied only when the eligibility of a case was periodically redetermined (every 6 months), so that, even if a state began implementation in October 1981, such provisions would not have been applied to the full October 1981 caseload until at least 6 months later.

The implementation of the OBRA provisions was delayed for a variety of reasons. One was the need to make state statutes conform to the federal AFDC regulations. In addition, the inclusion of stepparent income and the restriction of eligibility to children younger than 18 were already law in some states. Among the states that compensated for the anticipated effects of the OBRA provisions, six reported having raised their need standards in direct response to OBRA. Raising the need standard decreased the number of AFDC recipients who would lose their eligibility because of the OBRA provision limiting eligibility to cases with gross incomes of less than 150 percent of the standard. Some states reported that they used state funds to cover cases that would have been rendered ineligible for AFDC under the provisions on third-trimester pregnancy and dependents 18-21 years old.

EFFECTS ON NATIONAL CASELOADS AND COSTS

In our survey of state welfare offices, we asked them to name and rank the five OBRA provisions that have had the greatest effect on the size of their AFDC caseloads and total payments, or outlays. For caseloads, the states cited the 150-percent gross-income limit and the provisions on earned and stepparent income most frequently. The 150-percent gross-income limit was usually ranked first for both caseloads and total payments. (We summarize these rankings in table 55 in appendix II.)

Interrupted time-series analysis of national caseload and payments

In order to estimate OBRA's effects on the national AFDC-Basic caseload and payments, we obtained from HHS monthly time-series data on the program beginning in January 1973 and ending with the most recent data available--June 1984 for the caseload and June 1983 for payments. This represents an additional 12 months of caseload, not payment, data beyond what we reported in Initial Analyses.

We used time-series modeling techniques to obtain statistical estimates of the reductions in caseload and payments that resulted from OBRA.[1] In the statistical procedure we used, individual observations are represented as a weighted function of past observations on the same variable and, if appropriate, as a function of other, substantively and empirically related variables. The intervention--that is, the presence of OBRA--is represented by a dummy variable that changes from 0 to 1 when the intervention is implemented. A nonlinear regression is then used to estimate the weighted function of past observations together with the effect of the intervention on the level of the time series.

That the states implemented the individual OBRA provisions at different times in a period of several months means that decreases in the level of the caseload would be expected to accumulate gradually over some period of time and to stabilize at some new level.[2] This pattern can be seen in figure 2.

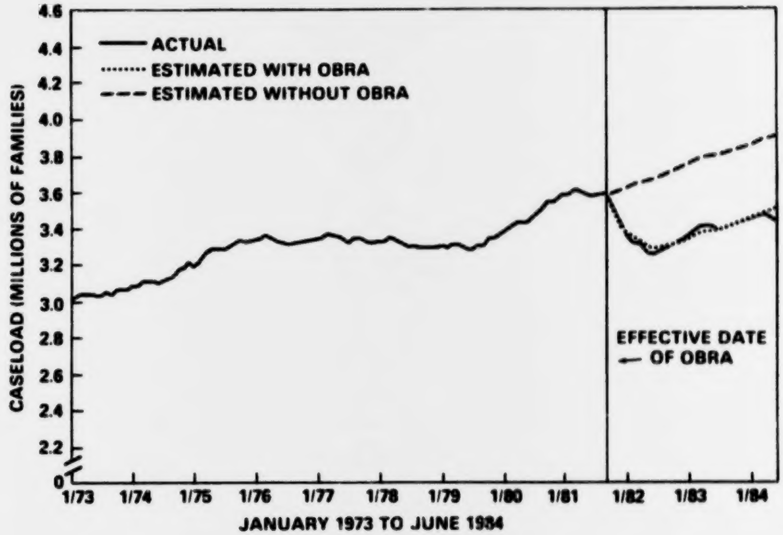
---

[1] Autoregressive integrated moving average (ARIMA) statistical techniques were used. See appendix III for more details.

[2] Because the ARIMA procedure's estimate is the asymptotic level, or limit, of an infinite series, this asymptotic estimate cannot be derived from an individual comparison of an observation after OBRA with either a forecast of what that observation would have been in the absence of OBRA or an observation before OBRA. This complicates expressing the reduction in caseload as a simple percentage at any particular point in time.

FIGURE 2

THE NATIONAL AFDC-BASIC CASELOAD: JANUARY 1973 TO JUNE 1984



Immediately after the implementation of OBRA in October 1981, the caseload dropped dramatically for several months, after which the decline began to slow, until the caseload began to increase gradually but from the lower level. (We found the same pattern for OBRA's effects on AFDC payments, as we show later in the chapter.)

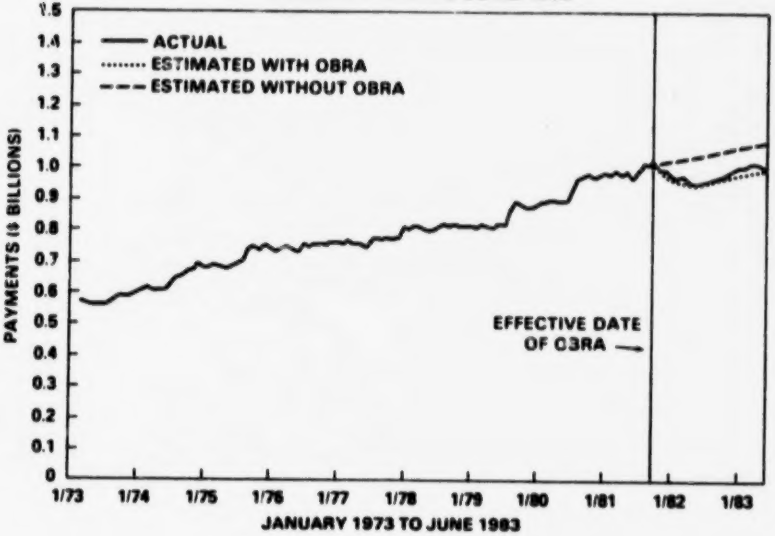
However, the deep recession of the early 1980's makes particularly unlikely the assumption that no other important events were affecting the caseload. In general, the recession could be expected to increase the caseload while OBRA was decreasing the caseload, by terminating cases because of their earnings or for other reasons. Therefore, in analyzing the effect of OBRA on the caseload, we sought to account for changes in the population that might be eligible to participate in AFDC by incorporating in our model a second time series on unemployed women who maintained families.

Findings

In Initial Analyses, we estimated that OBRA decreased the monthly national caseload by 493,000 cases and the monthly national payments by $92.8 million below what they would have been in the absence of OBRA. We also indicated in that report that both decreases might be eroding. Including the additional 12 months in a reanalysis of the caseload data resulted in the identification of a more adequate model and, we believe, a more reliable estimate of the caseload reduction. We estimate now

FIGURE 3

THE NATIONAL AFDC-BASIC PAYMENTS:
JANUARY 1973 TO JUNE 1983



that the reduction in the average monthly caseload was 442,000 cases and that it was stable during the time represented in the analysis (see figure 2).[3]

Figure 3 shows national AFDC payments (in current dollars) from January 1973 through June 1983. We were not able to extend our analysis of AFDC payments beyond our previous report. In our earlier analysis, we estimated that the reduction in payments was $92.8 million per month and we indicated that the reduction might be eroding. However, the indication in the extended analysis of the caseload data that OBRA's effect on the caseload is stable over this period suggests that the same may be true for payments.

Comparisons to other studies

Our estimates of reductions in AFDC caseload and payments show that the reduction in caseload was larger than the administration originally projected but that the savings from payments were approximately the same. Before OBRA, the administration's projection of the number of cases that would be terminated by the proposed changes to AFDC was approximately 400,000.[4] The administration's projection of the cost savings from the bill that the Congress finally passed was $6 billion over 5 years ($100 million per month) and reasonably close to our estimate of OBRA's short-term effect on payments.[5] It should be noted that further modifications of the AFDC program in 1984 mean that these estimates do not necessarily apply to the current program.

---

[3] When the revised statistical model was run on the abbreviated time series used in Initial Analysis, the "goodness of fit" improved dramatically, and the estimate of effect increased to 509,000. Therefore, we believe that in the short run, the reduction in caseload could be as high as 509,000 cases. The parameter estimates and goodness-of-fit tests are in appendix III.

The Congressional Budget Office also made projections of OBRA's budgetary effect on AFDC. It based its projection of savings on the same number of cases that were used in the administration's projections, but it assumed that welfare recipients would reduce their work effort in response to OBRA and that delays in implementing certain provisions would reduce the first year's savings. It also assumed there would be fewer savings than the administration's projection because of certain provisions unrelated to earnings, such as those allowing states to count food stamps and housing subsidies as family income. Its projection of $573 to $763 million of savings per year (during the first 3 years) was therefore much lower than the administration's.[6] Both projections were based on the anticipation that implementing OBRA would continue to save costs, an assumption that appears now to have been reasonable.

Two empirical estimates, other than our own, of the observed, rather than anticipated, effects of OBRA on the national AFDC program are available. The first is an HHS study of changes in the characteristics of the caseload between May 1981 and May 1982.[7] The projections of the national caseload size from samples at these points in time show that the raw decrease during the period between them (including any effect OBRA might have had on reducing the number of new cases) was approximately 319,000 cases, 20 percent less that the administration's projection of the cases that would close. (The percentages are used here only to give a sense of magnitude; since they refer respectively to net change and closings, they are not directly comparable.) This estimate of the net reduction is 28 percent less than ours from the extended time series. One reason for the difference is that our estimate takes into account the upward trend in the monthly caseload and the effect of the recession on the number of eligible families.

---

[4] U.S. Congress, House of Representatives, Committee on Ways and Means, Background Material and Data on Major Programs Within the Jurisdiction of the Committee on Ways and Means, committee print 97-29 (Washington, D.C.: February 18, 1982), p. 338.

[5] 47 Fed. Reg. 5648 (1982).

[6] U.S. Congress, Background Material, pp. 310 and 334.

[7] W. A. Weder, Current AFDC Recipient Characteristics and Analysis of Selected Caseload Changes Between May 1981 and May 1982 (Washington, D.C.: U.S. Department of Health and Human Services, no date).

The second estimate of caseload reduction comes from a study issued by the Congressional Research Service.[8] This estimate of 454,000 cases was based on a microeconomic simulation of the effects of the economy and OBRA on poverty and was designed to separate the effects of OBRA from those of the economy. Its estimate of a reduced AFDC-Basic caseload in a weak economy in the absence of OBRA compared to the caseload in a weak economy in the presence of OBRA falls between our estimate of 493,000 to 509,000, from our analyses of data through June 1983, and our estimate of 442,000, from our extended time-series analysis. According to the Congressional Research Service report, the simulation tends to overestimate the number of AFDC cases affected by OBRA, although it attempted to eliminate this bias by using actual caseload data for May 1982. However, as our analyses show, the estimate of effect based on earlier data is considerably greater than that based on the extended series.

The overall picture, we find, is one of reductions in caseload and payments, although the reduction in the caseload was apparently greater than the administration's projection of cases closed by the changes. Our estimates of reduction in caseload size and payments describe the net effect of OBRA on the national program in this period. However, we cannot use the caseload series to break down the net effect into its components of administrative actions and case dynamics for purposes of understanding how caseload reductions and cost savings were achieved.

---

[8] Mathematica Policy Research, The Effects of the Omnibus Budget Reconciliation Act of 1981 (OBRA) Welfare Changes and the Recession on Poverty (Washington, D.C.: Congressional Research Service, 1984), cited in U.S. Congress, House of Representatives, Committee on Ways and Means, Effects of the Omnibus Budget Reconciliation Act of 1981 (OBRA) Welfare Changes and the Recession on Poverty, committee print 98-33 (Washington, D.C.: July 25, 1984).

CHAPTER 3

THE EFFECTS OF OBRA ON AFDC CASELOADS AND INDIVIDUALS IN FIVE SITES

OBRA's immediate effects in our five sites were concentrated, as expected, on the small proportion of the caseload with earnings. Within the first 6 months of OBRA's implementation, AFDC benefits were reduced or eliminated for 66 to 87 percent of the cases with earnings, representing 12 to 18 percent of the caseload. Compared to cases with earnings a year before, a much smaller proportion of OBRA-period earners were receiving AFDC benefits a year later, apparently because closing rates were higher and rates of return to AFDC were lower. Although our analyses are limited, they appear to show that OBRA did not indirectly lead either workers or nonworkers to reduce their work effort. Observed differences in the likelihood of returning to AFDC or receiving AFDC with earnings appear to be accounted for by OBRA's stricter eligibility rules. A year after OBRA, the caseloads appear to have been demographically quite similar to caseloads in the preceding years, but there were fewer cases with earnings and the caseloads were somewhat more dependent on combined assistance from AFDC and food stamps for total income than they had been before OBRA.

RELATIONSHIPS BETWEEN CASELOAD REDUCTIONS AND CHANGES IN CASELOAD ACTIVITY

In the previous chapter, we reported our finding that reductions in the national AFDC-Basic caseload and, perhaps, costs appeared both sizable and stable. However, the size and composition of the month-to-month caseload is a function of several dynamic components: closing rates, rates of reopening closed cases, application rates, and rates of opening new cases. The magnitude of federal monthly outlays is a function of these rates, the proportion of the caseload receiving full grants, and the average case size.

In order to examine some of these components of the net reductions that we observed at the national level, we conducted in-depth evaluations of OBRA's effects on caseloads and individuals at five sites. This provided us with longitudinal data for addressing more directly the issue of return rates and work disincentives, and it gave us a means of examining the consequences for the individuals who were affected by the changes. We did not separately examine change with regard to applications and new case openings or the role these played in determining the levels of caseloads and outlays, nor did we perform individual time-series analyses to estimate the net changes in local caseloads and outlays in each site. Therefore, we cannot estimate the size of the influence each of these component changes had on the net caseload and cost reductions.

The OBRA changes were explicitly intended by the administration to direct resources to the "most needy" by restricting eligibility to cases with fewer additional resources than had previously been allowed and by reducing the income advantages given to employed recipients by limiting the disregard of earned income. Thus, the OBRA changes effectively removed from the program, or reduced benefits for, cases deemed capable of self-sufficiency without, or with reduced, public assistance. Two evaluation issues derive from these intentions: (1) whether cases whose grants were terminated or reduced were able to maintain self-sufficiency and (2) whether removing some of the income advantages for employed recipients created a disincentive to work.

As the committee noted in its request, these evaluation issues have direct implications for the size and stability of the reductions expected in the AFDC caseload and costs. Immediate reductions in caseload and costs were presumed to result directly from the case closings and grant reductions caused by OBRA during the initial implementation of its provisions. However, to maintain these reductions, two things would have had to happen: (1) the cases that OBRA closed would have had to return at a rate no faster than usual and (2) the rest of the caseload would have had to continue work effort and closing rates at the usual levels.

For example, the reduction in caseload size would be less than intended if enough cases were unable to maintain self-sufficiency without income support and so returned to the program. Similarly, if many closed cases stopped working and returned to receive full AFDC grants, or if continuing recipients reduced their work effort in order to receive full grants, the reduction in caseload costs would be less than intended. Additionally, a higher rate of case closings after OBRA's initial implementation period, reflecting a delayed or continuing effect of OBRA, might further reduce the caseload or offset the effects of forces that threatened the stability of the initial reductions in caseload size.

Since the AFDC program differs substantially from state to state, we chose for our in-depth evaluations five sites whose state programs differ in ways (such as benefit levels) that might mediate the effects of the OBRA changes. In each site, we used case-record data from samples of the caseload at three points in time and tracked two of these samples through 1 year following their sample month (see figure 1). This enabled us to summarize OBRA's effects on local caseloads and subgroups in Boston, Dallas, Memphis, Milwaukee, and Syracuse and to explore how state variations in the program may have interacted with OBRA's effects.

Specifically, in this chapter we (1) describe the numbers and characteristics of cases immediately affected by OBRA, (2) explore the rates of case closings throughout the 12 months following OBRA's implementation, (3) examine the rates at which closed cases returned to AFDC, (4) examine changes in work behavior for cases immediately affected by OBRA, by a grant reduction, as well as for cases not affected by OBRA, and (5) compare the caseload composition and available resources before and after OBRA to determine whether the program served a different set of people before and after OBRA's implementation.

CLOSINGS AND REDUCTIONS

We designated an OBRA implementation "window" for the sites to correspond to the 2 to 6 months in which most of the OBRA provisions were applied to the cases active when each site's state began their implementation. Within the window, OBRA reduced and terminated the grants of large numbers of wage earners, but because relatively few nonearners were affected and there were many more nonearners than earners in the caseload, OBRA's total effect on the caseload was somewhat mitigated.[1] The terminated earner cases differed significantly from other earner cases in several ways--particularly in age, race, and income. However, the rule changes continued to apply to cases not immediately affected by the OBRA changes within the window. Additional case closings because of OBRA throughout our 13-month observation period can thus be considered additional effects of OBRA.

Cases immediately terminated and given reduced grants because of OBRA

As expected, the OBRA changes affected working AFDC recipients more than nonworking recipients. However, since the earners are such a small proportion of the total caseload--5 to 17 percent in our five sites in the month before OBRA's implementation --OBRA terminated and reduced benefits in less than one in five of the cases within the implementation window (see table 3). Between 7 and 14 percent of the caseload was closed; another 1 to 11 percent had benefits reduced because of OBRA. Among earners, closed cases ranged from 38 to 60 percent; benefit reductions ranged from 8 to 48 percent. OBRA terminated and reduced benefits for a combined 65 to 86 percent of the earner cases. Between 1 and 11 percent of the cases of nonearners were closed; 1 to 6 percent were reduced.

Differences among the sites reflect, to a degree, differences in state need and payment standards. In a state with a high need standard, the OBRA gross-income limit of 150 percent of that standard might not affect cases with relatively high income. In the states with lower need and payment standards,

---

[1] As we indicated in chapter 1, "earners" and "nonearners" refer solely to the presence of earnings in the sample month, not to employment history.

Table 3

Percentage of Cases Closed or Reduced Because of OBRA Within the Implementation Window and Closed for Any Reason by Site[a]

Case	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner					
Closed by OBRA	60.0	57.0	54.7	38.5	40.2
Other closings	22.3	27.4	23.7	30.9	25.7
Total	82.3	84.4	78.4	69.4	65.9
Reduced by OBRA	--	7.9	16.7	48.0	35.4
Nonearner					
Closed by OBRA	2.8	11.0	9.6	0.8	2.3
Other closings	24.8	40.0	23.0	28.1	25.2
Total	27.6	51.0	32.5	28.9	27.4
Reduced by OBRA	--	0.8	5.8	3.5	1.2
Total caseload					
Closed by OBRA	10.9	13.6	12.0	7.1	6.9
Other closings	24.4	39.3	23.0	28.6	25.3
Total	35.3	52.9	35.0	35.7	32.2
Reduced by OBRA	--	1.2	6.4	10.9	5.4

[a] These figures do not reflect all OBRA terminations: some provisions in four sites were not implemented within the implementation window. Cases that initially had their AFDC grants reduced and were subsequently closed within the implementation window appear throughout the analyses as terminations. "Other closings" includes cases closed within the window for reasons unrelated to OBRA and closings outside the window and may include cases with OBRA grant reductions. Percentages may not add because of rounding.

[b] Because there are no special OBRA termination codes for the Boston data, the number of OBRA terminations is based on the comparison of frequencies of closing codes in the prior year with those in the OBRA period. A small number of the Boston case closings may stem from normal attrition. It was not possible to estimate the number of Boston OBRA grant reductions.

earners are much more likely to have their grants discontinued than simply reduced. For example, a three-person household with a monthly income of $560 would pass this 150-percent gross-income test in Boston, Milwaukee, or Syracuse but would fail it in Dallas or Memphis. In Syracuse and Milwaukee, the sites with the highest maximum benefits in our study, the percentages of earner cases given reduced grants were 35 and 48 percent, respectively. In Dallas and Memphis, with the lowest benefits in our study, 8 and 17 percent of the earner cases were reduced.

Earner cases that lost AFDC because of OBRA in our five sites typically consisted of a nonwhite woman in her late twenties to early thirties with two children. This was fairly representative of the earner caseload in our five urban sites. In Boston, Milwaukee, and Syracuse, those who lost AFDC were also

Table 4

Demographic Characteristics of Earners Who Lost AFDC Because of OBRA Compared to Other Earners by Site

Characteristic	Earners	Boston	Dallas	Memphis	Milwaukee	Syracuse
From case records						
% nonwhite	Terminees	85.7	81.1	93.2	72.7	44.7
	Other	72.2*	87.0	91.5	56.3*	31.4*
Average case size	Terminees	2.8	3.4	3.3	2.8	3.1
	Other	3.1*	3.6	3.3	3.0*	3.5*
Average age	Terminees	33.6	28.9	30.6	31.4	33.1
	Other	34.7*	33.4*	32.3	31.5	33.5
% women	Terminees	98.6	99.5	100.0	99.7	94.7
	Other	98.9	100.0	98.9	99.0	98.0
% single and never married	Terminees	[a]	45.5	52.9	47.9	36.5
	Other	[a]	41.4	46.3	35.5*	28.0
% cases with children < 6 yrs	Terminees	37.4	72.1	51.0	37.2	37.1
	Other	32.9	51.5*	46.0	44.2	40.7
Average (median) earnings	Terminees	[a]	$428(406)	$375(374)	$803(782)	$642(650)
	Other	[a]	191(130)*	218(181)*	441(432)*	390(374)*
Average (median) yrs continuously in AFDC	Terminees	5.7(5.2)	2.9(1.7)	5.2(3.6)	4.7(3.0)	6.1(4.6)
	Other	6.0(5.8)	3.2(1.6)	5.3(3.8)	4.1(2.3)	5.8(4.5)
From interviews						
Average yrs with employer	Terminees	3.4	1.7	2.8	3.4	3.1

[a] Not available from Boston's computerized files.

*Difference between "terminees" and "other" significant at the .05 level. Medians were not tested for statistical significance.

more likely to be nonwhite and to have fewer children than the portion of the earner caseload not losing AFDC (statistically significant at the .05 level; see table 4). In Boston and Dallas, these terminees were younger than other earners at a statistically significant level. One third to one half of those who lost AFDC had never been married and at least one third had children younger than 6 years of age. In Dallas, 72 percent of the terminees had young children, while only 52 percent of the remaining earners did. Typically, these terminees had worked for the same employer for 2 to 3 years and had been receiving AFDC continuously for 2 to 5 years. However, the terminees in Dallas and Memphis had average earnings similar to those of cases that remained in the program in Milwaukee and Syracuse.

The closing of cases not immediately terminated because of OBRA

Although the OBRA changes were directly responsible for closing 38 to 60 percent of the earner portion of the caseload in a relatively short period, OBRA appears to have also had, directly or indirectly, a small continuing effect on earners. In three of the four sites, cases with earnings closed at higher rates throughout the 12 months following OBRA than comparable cases in the preceding year. This could be because previously unaffected cases experienced naturally occurring changes in employment or household composition that made them subject to the new provisions and, thus, closed earlier than they would have prior to OBRA.

We examined the frequency of and reasons for case closings throughout the tracking period for OBRA-period cases not immediately closed because of OBRA, and we compared them with the frequency of and reasons for the closing of comparable groups of base-period cases. To construct comparable groups, we simulated the application of the OBRA rules to base-period cases throughout the months of the base period that were comparable to the OBRA implementation window, and then we selected those that would have remained open under the OBRA rules. In the simulation, we included the gross-income ceiling of 150 percent of the state need standard, the limitations on child-care and work expenses, the 4-month limit on the $30+1/3 earnings disregard, the loss of eligibility for dependents 18 to 21 years old, and the counting of stepparent income. (The information available from Boston's computerized files was not sufficient to simulate OBRA's administrative effect.)

In the four sites, 43 to 64 percent of the OBRA-period earner cases that were not "OBRA terminees" were closed during the tracking period, and 23 to 58 percent of the comparable base-period cases were closed. Among nonearner cases, 26 to 45 percent of the OBRA-period cases not immediately terminated by OBRA were closed during the tracking period. The figures for the base-period nonearners were similar: 23 to 44 percent. (See figure 4 and table 5.) This resulted in the closing of 66 to 84 percent of the full earner samples during the entire 13 months of the OBRA tracking period and the closing of 27 to 51 percent of the nonearner samples in the OBRA period (see table 3).

In Memphis, Milwaukee, and Syracuse, the proportion of OBRA-period earners who lost AFDC among those who were not terminated from AFDC because of OBRA during the implementation window was larger than the proportion of comparable base-period earners whose cases were closed (at a statistically significant level). Only in Milwaukee were the remaining nonearner cases significantly more likely to close in the OBRA than in the base period.

In Memphis, the higher percentage of OBRA-period than base-period earners whose cases were closed in the first month of the tracking period was statistically significant (see table 56 in appendix IV). Since we were interested in the cumulative rate of closing throughout the period, and since we suspected that the statistically significant difference in the first month might have had an effect on the significant difference in the cumulative rate, we removed the first-month closings from the cumulative figures and retested the difference between the cumulative proportions of closings in the two periods. We found that the adjusted cumulative proportion of closed cases (the closing rate after the first month of OBRA) was significantly higher in the base period.

Thus, the higher OBRA-period closing rate in Memphis appears to have been restricted to more frequent closings in the first month of OBRA's implementation for reasons ostensibly not attributable to OBRA. Month 1 closings may have occurred because people failed to report information to the welfare office, perhaps because they anticipated that reporting would lead to closing under the OBRA rules. If so, their cases were closed on procedural rather than substantive grounds.[2] Because we excluded the cases that were recorded as having been closed because of OBRA during the implementation window, we did not count these first-month closings as directly related to OBRA.

In summary, in three sites more earner cases not initially closed by OBRA lost AFDC within a year than earner cases with similar income and household characteristics in the base period. For earners in Syracuse and earners and nonearners in Milwaukee, the overall closing rates were higher in the OBRA period. For earners in Memphis, the difference was restricted to the more

---

[2] For example, a questionnaire was mailed to all AFDC recipients in Memphis just before OBRA was implemented, requesting an update of information needed for redetermining eligibility. Cases found by this updating to have been previously ineligible would have been closed for the recipients' failure to comply with the requirement that they report all changes to the welfare department.

FIGURE 4

CUMULATIVE PROPORTIONS OF EARNER CASES CLOSED IN THE BASE AND OBRA PERIODS (ADJUSTED FOR ELIGIBILITY CHANGES) BY MONTH AND SITE

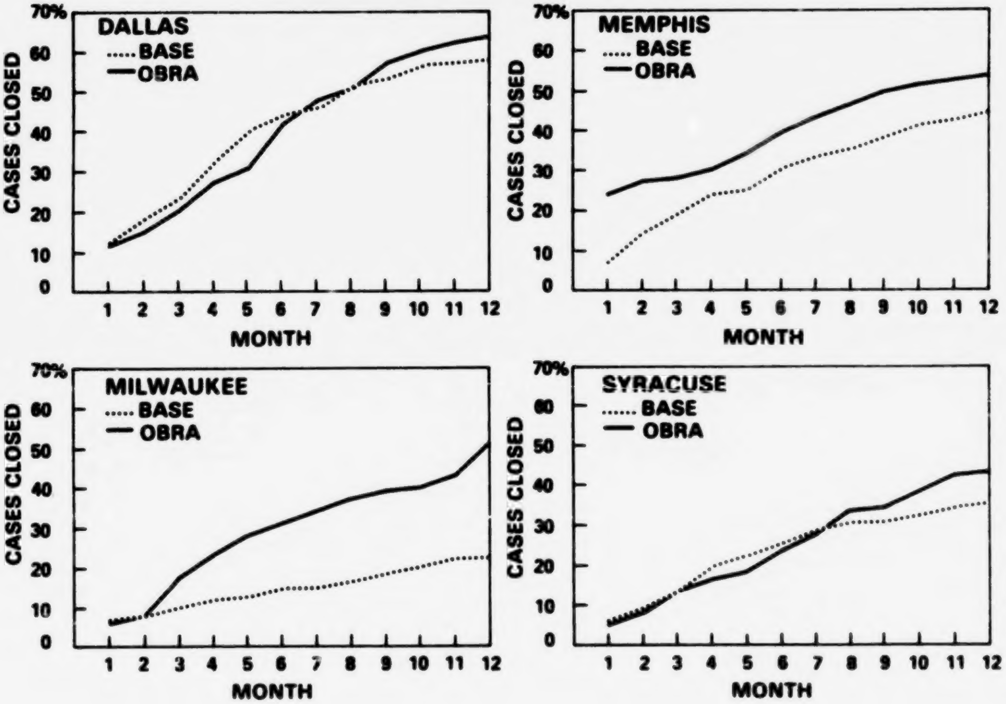


Table 5

Percentage of Earner and Nonearner Cases That Lost AFDC Over 12 Months in the Base and OBRA Periods, Adjusted for Eligibility Changes, by Site[a]

Case	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner					
Base		(n=263) 58	(n=264) 44	(n=371) 23	(n=287) 35
OBRA		(n=169) 64	(n=178) 53*	(n=505) 51**	(n=255) 43*
Nonearner					
Base		(n=236) 44	(n=224) 23	(n=468) 24	(n=247) 29
OBRA		(n=226) 45	(n=218) 26	(n=505) 29*	(n=261) 26

[a] Excludes cases in the OBRA-period sample that lost AFDC for a reason related to OBRA within the implementation window and base-period cases that would not have passed several OBRA income-related rules during similar months of the base period.

[b] Information not available.

*Difference significant at the .05 level.

**Difference significant at the .01 level.

frequent closings in the first month after OBRA was implemented. These results suggest that OBRA may have had a small continuing effect, directly or indirectly, above the normal attrition rates in three of the four sites.

Examining the reasons that were recorded for all the closings among these groups within the tracking period, we found some support for the tentative conclusions given above about OBRA's continuing differential effect in three sites (see tables 6 and 7). In Memphis, where 24 percent of the earner cases not immediately closed by OBRA closed in the first month of the tracking period, failure to comply with procedures was the second most

Table 6

Reasons for Closings of Base-period and OBRA-period Earner Cases Throughout 12 Months, Adjusted for Eligibility Changes, by Site[a]

Reason	Group	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Moved	Base		(n=155) 0.6%	(n=113) 2.7%	(n=87) 9.2%	(n=98) 8.2%
	OBRA		(n=112) 1.8%	(n=92) 4.3%	(n=279) 2.9%	(n=109) 7.3%
Lost contact or withdrew	Base		5.2	23.9	10.3	32.6
	OBRA		12.5	29.3	12.2	24.8
Increased earned income	Base		54.2	37.2	13.8	12.2
	OBRA		10.7	7.6	33.3[c]	14.7
Increased unearned income	Base		3.2	8.8	0	7.1
	OBRA		0.9	10.9	2.9	1.8
Child no longer without support	Base		2.6	8.8	0	4.1
	OBRA		1.8	3.3	5.0	2.8
Resources exceeded limit	Base		1.3	0.9	3.4	1.0
	OBRA		0	0	0	0.9
Failed to comply with procedures	Base		31.0	9.7	40.2	21.4
	OBRA		38.4	28.3	17.9	17.4
OBRA income-related changes	Base		[d]	[d]	[d]	[d]
	OBRA		31.2	15.2	6.1	18.3
Other OBRA rule changes	Base		[d]	[d]	[d]	[d]
	OBRA		0.9	1.1	0.7	0
Other	Base		1.9	8.0	23.0	13.3
	OBRA		1.8	0	19.0	11.9

[a] Excludes cases in the OBRA-period sample that lost AFDC for a reason related to OBRA within the implementation window and base-period cases that would not have passed several OBRA income-related rules during similar months of the base period.

[b] Information not available.

[c] Beyond the window, "increased earned income" was coded for cases "growing into" the OBRA ceilings.

[d] Not applicable.

frequent reason for closing; it accounted for many more closings of OBRA-period cases (28 percent) than base-period cases (10 percent). An additional 16 percent of the closings in Memphis were recorded as directly caused by OBRA. Other cases, recorded as having closed on procedural grounds, may have been closed indirectly because of OBRA, but we cannot determine how many cases were. In contrast, OBRA directly accounted for 18 percent of the earner-case closings in Syracuse.

In Dallas in the OBRA period, 31 percent of the earner-case closings outside the window were related to the OBRA income rules, but closings related to increases in earned income were

Table 7

Reasons for Closings of Base-period and OBRA-period Nonearner Cases Throughout 12 Months, Adjusted for Eligibility Changes, by Site[a]

Reason	Group	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Moved	Base		(n=110) 0.9%	(n=51) 25.5%	(n=116) 14.7%	(n=77) 16.9%
	OBRA		(n=103) 2.9%	(n=54) 9.3%	(n=151) 12.6%	(n=73) 17.8%
Lost contact or withdrew	Base		9.1	13.7	14.7	31.2
	OBRA		10.7	16.7	12.6	13.7
Increased earned income	Base		21.8	23.5	11.2	3.9
	OBRA		1.0	7.4	6.0[c]	8.2
Increased unearned income	Base		1.8	3.9	0	2.6
	OBRA		1.0	3.7	6.0	5.5
Child no longer without support	Base		2.7	19.6	0	11.7
	OBRA		5.8	5.6	2.6	8.2
Resources exceeded limit	Base		0	0	0.9	0
	OBRA		1.9	0	0	1.4
Failed to comply with procedures	Base		59.1	5.9	31.0	18.2
	OBRA		57.3	29.6	28.5	15.1
OBRA income-related changes	Base		d	d	d	d
	OBRA		15.5	18.5	16.6	9.6
Other OBRA rule changes	Base		d	d	d	d
	OBRA		2.9	1.9	1.3	2.7
Other	Base		4.5	7.8	26.7	15.6
	OBRA		1.0	7.4	13.9	17.8

[a] Excludes cases in the OBRA-period sample that lost AFDC for a reason related to OBRA within the implementation window and base-period cases that would not have passed several OBRA income-related rules during similar months of the base period.

[b] Information not available.

[c] Beyond the window, "increased earned income" was coded for cases "growing into" the OBRA ceilings.

[d] Not applicable.

much less frequent. In Milwaukee outside the implementation window, "increased earned income" was recorded for the closing of cases that increased their earnings above the pre-OBRA limits and cases that exceeded the lower income limits established by OBRA. Therefore, in Milwaukee, although increases in earned income prevailed over failure to comply with procedures as the most frequent reason for closing OBRA-period earners compared to base-period earners, we are unable to determine whether this reflects a continuing effect of the OBRA changes.

Consonant with the finding that OBRA-period nonearners were not very likely to have had their cases closed within the OBRA implementation window, the OBRA-period nonearner cases that survived the OBRA rules were no more likely (except in Milwaukee) to have been closed outside the window than similar base-period cases. In all five sites, 26 to 45 percent of these OBRA-period nonearner cases were closed during the tracking period; the figures for comparable base-period nonearners were 23 to 44 percent (see table 5). Earners were more likely than nonearners to have their cases closed both within and outside the implementation window. However, although nonearner cases were much less likely to be closed because of OBRA within the implementation window, outside the window OBRA accounted through income and other rule changes for a sizable proportion (12 to 20 percent) of closings for nonearner cases that survived the initial implementation of the OBRA rules (see tables 3 and 7).

CHANGES IN THE DYNAMICS OF WORK AND WELFARE IN THE CASELOAD

In comparison to the caseload in the preceding year, a substantially larger proportion of earners receiving AFDC in the month before OBRA were not receiving AFDC a year after OBRA's implementation. This appears to be the result of higher closing rates in the OBRA period and lower-than-usual rates of return. Most of the cases closed by OBRA were able to maintain self-sufficiency without public assistance in the year following their loss of AFDC; few returned to AFDC during our observation period. Many of the cases whose grants had been reduced were receiving AFDC a year later, and many were no longer working, but we cannot determine whether this represents an indirect effect of OBRA on their work effort. However, there does not appear to have been a work disincentive for the cases that OBRA did not close within the implementation window.

In this section, we examine the status of our full earner and nonearner samples a year after the sampling month in order to report their net change in status given closings, returns, and changes in work behavior. Then we examine changes in AFDC participation and work behavior for each of three groups defined by actions within the implementation window: OBRA earner "terminees," or earner cases removed from the program by OBRA; OBRA earner reduced-grant cases, or earners whose grants were reduced but not closed by OBRA; and the cases in our earner and nonearner samples (including the OBRA earner reduced-grant cases) that were not terminated by OBRA. When possible, we provide the same kind of information on comparable groups of cases from our base-period samples.

In Initial Analyses, we reported that most of the cases terminated by OBRA did not return to the AFDC program within our 13-month tracking period. Furthermore, at the end of this period, a larger percentage of earner cases was closed in the OBRA period than in the base period. We discussed whether this difference was a direct administrative effect of stricter eligibility rules or an indirect behavioral effect such that closed cases were less likely to return to AFDC.

The smaller proportion of open earner cases with earnings 1 year after OBRA's implementation raised the additional question of whether earners still receiving AFDC had reduced their work effort in order to meet OBRA's stricter income rules. We found little evidence of this in either the full samples or the samples of continuing recipients, when we controlled for the stricter eligibility rules under OBRA.

The AFDC and employment status of the full samples 1 year later

As we reported previously, a substantially larger proportion of OBRA-period earner cases than base-period earner cases were closed 1 year after the samples were drawn. However, a smaller percentage of OBRA-period earner cases than base-period cases was open without earnings only in Boston (significant at the .05 level). For nonearners in Boston, Memphis, and Milwaukee, significantly smaller proportions of OBRA-period nonearners were receiving AFDC with earnings 1 year later.

Administratively, OBRA's rules meant that some proportion of the pre-OBRA AFDC caseload no longer qualified for benefits, most frequently because the families were earning too much to remain eligible. Behaviorally, OBRA's implementation meant that AFDC recipients, whether their cases were closed or still active, could respond to the new rules by increasing or decreasing their participation in the labor force. (The "actual" figures in table 8 on the next page reflect both direct administrative and indirect behavioral effects of OBRA for the full samples.) For example, some AFDC recipients who lost their eligibility for welfare because of the OBRA changes might have quit their jobs or cut back on the number of hours they worked in order to qualify once again for AFDC benefits. Similarly, some AFDC recipients who might have sought work or worked more in a period of time under the old rules might have been dissuaded from doing so under OBRA by the increased likelihood that they would lose their eligibility.

Therefore, it seemed important to determine how much of the difference in the patterns of AFDC use that we observed in the base and OBRA periods resulted from the behavioral rather than the administrative effect of OBRA. The administrative effect is represented by the proportion of the base-period cases receiving AFDC 12 months after the sampling month (that is, 1 month before OBRA was actually implemented) that would have been ineligible under OBRA rules. The behavioral effect for the full samples is the difference between the proportion of the base-period cases that were active after the adjustment for the administrative effect and the proportion of OBRA-period cases that were receiving AFDC.

To estimate the administrative effect of the OBRA changes, we simulated their application in the base period by testing each base-period case that was open in the last month of the tracking period against several of the new rules. We classified open cases as closed if they would have been ineligible had OBRA been in effect that month. We used the same OBRA simulation procedures discussed in the section above. (Again, the information from the computerized files was not sufficient to include Boston in the simulation.)

Table 8

Percentage of Cases Closed and Open 12 Months After the Sample Month, Adjusted for Eligibility Changes, by Site[a]

Case status	Group	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner						
Closed	Base actual	24.1**	40.9**	37.9**	19.8**	32.3**
	" adjusted	--	60.2**	65.6	50.8*	51.7*
	OBRA	74.8	70.3	65.7	56.7	60.0
Open						
With earnings	Base actual	57.6**	31.8**	40.7**	54.2**	50.6**
	" adjusted	--	12.5**	14.1	25.2	31.4**
	OBRA	10.5	6.6	12.5	16.6	21.4
Without earnings	Base actual	18.4*	27.3	21.4	26.0	17.1
	" adjusted	--	27.3	20.3	24.0	16.9
	OBRA	14.7	23.0	21.8	26.7	18.6
Nonearner						
Closed	Base actual	17.4	32.9	21.9	17.0*	25.9
	" adjusted	--	35.7	28.3	24.2	29.0
	OBRA	21.5	37.9	27.1	22.0	22.8
Open						
With earnings	Base actual	5.7*	2.0	4.2**	5.6**	3.5
	" adjusted	--	0.8	0.4	3.2	2.3
	OBRA	3.0	0.4	0.4	1.8	2.6
Without earnings	Base actual	76.9	65.1	73.8	77.4	70.7
	" adjusted	--	63.5	71.3	72.7	68.7
	OBRA	75.5	61.7	72.5	76.2	74.5

[a] Base-period figures adjusted by simulating the application of several OBRA rules (where information was available).

[b] Information for performing the simulation with the base-period sample was unavailable.

*Difference from figure for OBRA period significant at the .05 level.

**Difference from figure for OBRA period significant at the .01 level.

The comparisons in table 8 provide little evidence of a behavioral effect from OBRA on the full samples. If earners terminated from AFDC in the OBRA period had quit their jobs to return to AFDC, the percentage of cases closed would have been higher in the adjusted base period than in the OBRA period, but in three sites the proportion was in fact significantly lower in the base period (at the .05 level). Among nonearners, a behavioral response to OBRA would be most clearly demonstrated as a significant difference in the percentages of cases remaining open without earnings in the adjusted base and OBRA periods. That is, if the new rules deterred nonearning recipients from looking for jobs, one would expect a higher proportion of cases in the "open without earnings" category in the OBRA period than in the adjusted base period. In no site was the percentage of these cases open without earnings significantly higher for the OBRA period than the adjusted base period (at the .05 level). In short, if OBRA had any of the behavioral effects regarding work incentives on the full samples that had been anticipated, they are not revealed by this index.

The return rates of closed cases

In all five sites, most of the earner cases that we identified as OBRA "terminees" did not return to AFDC during the 13 months through which we tracked them. As table 9 shows, 1 year

Table 9

Percentage Rate of Return, 1 Year After Sample Month, of Earner Cases OBRA Closed and of Base-period and OBRA-period Earner Cases Closed for Any Reason by Site

Case and closing reason	Boston	Dallas	Memphis	Milwaukee	Syracuse	RTI[a]
Base-period for any reason	(n=147) 17.7**	(n=113) 24.8	(n=76) 14.5	(n=38) 50.0**	(n=91) 17.6*	-- 24.6
Adjusted for eligibility under OBRA rules[b]	--	23.0	11.8	31.6*	13.2	--
OBRA-period for any reason	(n=856) 9.2	(n=274) 18.6	(n=268) 14.9	(n=352) 17.6	(n=217) 7.8	-- 15.4
OBRA-period for OBRA reason	(n=733) 8.3	(n=222) 15.3	(n=207) 13.5	(n=312) 17.6	(n=170) 7.1	-- --

[a] Some breakdowns comparable to data in RTI, or the Research Triangle Institute *Final Report: Evaluation of the 1981 AFDC Amendments* (Chapel Hill, N.C.: April 15, 1983); this column is drawn from pages 3-39 and 3-48. RTI did not analyze the return rates for cases closed explicitly because of OBRA.

[b] Base-period return rates were adjusted by simulating the application of several OBRA rules (where information was available).

*Difference from figure for OBRA-period earner cases closed for any reason significant at the .05 level.

**Difference from figure for OBRA-period earner cases closed for any reason significant at the .01 level.

after the OBRA-period sampling month, only 7 to 18 percent of the earner cases that had been closed by OBRA were open again. The majority of these open cases were recorded as not having earnings.

If OBRA's reduction of income advantages for employed recipients encouraged people to quit their jobs so as to requalify for AFDC, one would expect the return rates after OBRA to be higher than those in the base period. But if OBRA removed people who could support themselves with earnings and without any AFDC benefits, one would expect the return rates after OBRA to be lower than those in the base period. However, lower return rates in the OBRA period might also reflect the tighter eligibility standards after OBRA, which made it more difficult for cases to requalify for AFDC.

To get a sense of whether the return rates for OBRA earner terminees differed from those that were typical for AFDC participants before the OBRA changes, we compared the return rates for all the OBRA-period earner cases closed during the months of the implementation window, whether or not they had been terminated from AFDC by OBRA, with the figures for the base-period earner cases closed during the corresponding months of the base period. In Boston, Milwaukee, and Syracuse, the point-in-time return rates for earner cases closed for any reason were substantially lower in the OBRA period than in the base period (significant at the .05 level); in Dallas and Memphis, the rates were similar.

These figures can be compared directly with the figures in a national study performed for HHS by the Research Triangle Institute (RTI). The far right column of table 9 shows that RTI's data parallel ours for the status of terminees a year after the sampling month. Although our figures bracket RTI's, RTI did not find a significantly lower rate in the OBRA period than in the base period nationally. This difference may have resulted from our adjusting the study period for each site to match the date when a state implemented OBRA or from the particular restrictions we placed on our selection of sites. Unlike RTI, we considered only sites in states where the implementation of the major OBRA provisions was relatively immediate and unobstructed and where the changes in unemployment were moderate during the study period.

Comparing base-period and OBRA-period return rates, one would expect to find lower return rates in the OBRA-period, all else being equal, since these cases had to meet OBRA's new eligibility rules. Some of the cases that lost AFDC and returned in the base period probably would not have qualified under OBRA's rules. Consequently, comparing these OBRA-period return rates and base-period rates does not give a clear picture of whether changes occurred in welfare dynamics after OBRA.

In order to account for the OBRA changes in the base-period return rates, we simulated the application of the OBRA eligibility rules to the base-period terminees receiving AFDC 1 year later. (We used the simulation method described above in the section on closings.) We expected that this would reduce the base-period return rates, thereby removing OBRA's administrative effect and highlighting any behavioral effect that OBRA might have had on a return to AFDC. The adjusted return rates shown in table 9 are lower than the actual base-period return rates in the four sites with data available for the simulation. In three of the four sites, the OBRA-period return rates are lower than the adjusted base-period return rates (significant at the .05 level only in Milwaukee, possibly the result of the integration of AFDC and food-stamp eligibility procedures). In one site, Memphis, the OBRA-period rates exceeded the base-period rates, but the difference was not statistically significant.

These results are mixed. After simulating OBRA's eligibility rules for the base-period cases, we found little difference between the OBRA-period and adjusted base-period return rates. People terminated after OBRA's implementation (primarily for reasons related to OBRA) were not consistently more or less likely to return to AFDC than people terminated in the base period across the sites if one accounts for the stricter income-eligibility rules under OBRA. OBRA apparently did not encourage people to return to AFDC, since the OBRA-period return rates were never significantly higher than even the base-period return rates adjusted for the OBRA rules. Moreover, the fact that the return rates of OBRA-period earner cases were lower than those actually observed for base-period cases appears to be a function of the greater difficulty of meeting the eligibility requirements under OBRA. In one site, the OBRA-period rate was significantly lower than the adjusted base-period rate, but it is not clear whether people removed from the program by OBRA were less dependent on AFDC (and less likely to return to AFDC) than people terminated in the base period or whether imperfections in our data or simulation method resulted in inaccurate estimates of the adjusted base-period return rates.

Changes in AFDC and employment status for reduced-grant cases

In addition to terminating the AFDC grants of a large proportion of AFDC earners, OBRA reduced the AFDC grants of many other cases. The percentage of earner cases experiencing at least one OBRA-related reduction but remaining open within the implementation window ranged from 8 percent in Dallas and 17 percent in Memphis to 36 percent in Syracuse and 48 percent in Milwaukee. (It was not possible to estimate the numbers in Boston.) All these cases had earned income prior to OBRA's implementation, but they had relatively less income than cases that were closed within the same site.

Some cases whose grants were reduced were also terminated from AFDC beyond the OBRA implementation window: 30 percent in

Memphis, 34 percent in Syracuse, 49 percent in Milwaukee, and 63 percent in Dallas. As with earner cases closed by OBRA, relatively few of these cases returned to AFDC during the study period. In three of the four sites, more than half of all cases with reduced grants were receiving AFDC 1 year after the OBRA-period sample month: 61 percent in Milwaukee, 70 percent in Syracuse, and 75 percent in Memphis. For Dallas, the figure is 43 percent.

The analysis of change in work behavior for reduced-grant cases is confined to cases receiving AFDC 1 year after the OBRA-period sample month. (See table 10.) We have no information about reduced-grant cases that were not open 1 year later (25 to 57 percent of all the reduced-grant cases). In addition, because we have insufficient data for Boston and because of the small

Table 10

Case Status and Change in Employment and Monthly Earnings 1 Year After Sample Month for Earners With Grants Reduced by OBRA by Site

Status	Boston[a]	Dallas[b]	Memphis	Milwaukee	Syracuse
Case		(n=30)	(n=64)	(n=386)	(n=148)
Closed		56.7%	25.0%	38.9%	29.7%
Open					
With earnings		10.0	46.9	26.4	50.7
Without earnings		33.3	28.1	34.7	19.6
Employment[c]			(n=47)	(n=233)	(n=103)
Working before			95.8%	100%	100.0%
Working after			63.8	43.8	74.8
Full-time before			2.1	34.4	37.8
Decreased to part-time			2.1	4.3	4.9
Stopped			0	21.9	10.6
No change			0	8.2	22.3
Part-time before			93.7	65.6	62.1
Increased to full-time			0	4.7	6.8
Stopped			34.1	34.3	14.5
No change			59.6	26.6	40.8
Monthly earnings[d]			(n=30)	(n=102)	(n=70)
Average before			$117	$361	$324
Average after			100*	345	292*
$ change (median)			-$17(-6)	-$17(-7)	-$31(-10)
% change (median)			-12(-5)	+13(-3)	-1(-5)

[a] Information not available.
[b] Employment status and earnings not analyzed because of small sample size.
[c] For cases with known employment status both before and after reduction by OBRA.
[d] For cases working both before and after, in September 1981 dollars adjusted against the local consumer price index.

*Difference significant at the .05 level.

number of reduced-grant cases in Dallas (and the small proportion of these receiving AFDC 1 year after OBRA), the text following is only on Memphis, Milwaukee, and Syracuse.

For the most part, cases with reduced grants and receiving AFDC 1 year later had been working part-time prior to the reduction; 1 year after the OBRA sample month, they either had stopped working (25 to 56 percent of those receiving AFDC in three sites) or were still working part-time. (Since data on hours worked were not available, we focused on the distinction between full-time and part-time employment.) In table 10, we see that from 62 to 94 percent of the reduced-grant cases active 1 year later were working part-time before the grant reduction in the three sites. In Memphis and Syracuse, most of these cases were still working part-time at the later point. In Milwaukee, most had stopped working altogether. A few cases in Milwaukee and Syracuse, but none in Memphis, increased their part-time hours to full-time employment.

Changes in employment varied for reduced-grant cases working full-time before the reduction. About one third of the cases receiving AFDC 1 year after OBRA had been working full-time before the reduction in both Milwaukee (34 percent) and Syracuse (38 percent). Most of these cases in Milwaukee stopped working altogether, but most in Syracuse continued to work full-time. Few in Milwaukee or Syracuse changed their employment from full-time to part-time. The evidence of changes in work behavior for reduced-grant cases is inconclusive because our samples are small and because our information on these cases is restricted to those that were receiving AFDC, which naturally excludes those that increased their earnings above OBRA's eligibility limits. Furthermore, it is not clear whether these employment changes were typical of earner cases that remained in AFDC.

Changes in work behavior in cases not immediately terminated by OBRA

As we discussed above, the committee was concerned that even if closed cases did not quit their jobs and return to AFDC in sufficient numbers to threaten the stability of the initial caseload reductions, some of the OBRA changes would create a work disincentive that might affect the behavior of the remaining caseload. Under OBRA, the $30+1/3 earned-income disregard was limited to 4 months and its amount was reduced by its calculation on net rather than gross income, and ceilings were placed on the deductions allowable for work and child-care expenses. If these limitations on the income advantages previously extended to employed welfare recipients represented for them a disincentive to work, employed recipients might reduce their work effort, and unemployed recipients might delay or forgo entering employment. Either change would eventually increase caseloads and costs as cases remained in the program longer and a larger proportion of the caseload received higher benefit amounts.

To determine whether a work disincentive did change the work behavior of cases active when OBRA was implemented, we examined the frequency of changes in employment status throughout the tracking period for OBRA-period cases that were not immediately terminated because of OBRA, and we compared them with the frequency of such changes for comparable groups of cases from the base-period samples. The comparable groups of base-period cases used in this analysis were identical to those constructed for the analysis of additional closings throughout the tracking period. Using the same procedures and comparison groups discussed above, we simulated the application of the OBRA rules to base-period cases throughout the months of the base period that were comparable to the OBRA implementation window (excluding Boston), and then we selected those that would have remained open under the OBRA rules.

To investigate potential changes in work effort, we analyzed changes in employment status in the 13-month tracking period for both earners and nonearners. We defined "reduced work effort" as higher rates of earners losing employment before losing AFDC and lower rates of nonearners gaining employment before losing AFDC in the OBRA period. For earners, we defined "change in employment status" as receiving AFDC without earnings; for nonearners, we defined it as beginning to receive earnings while remaining in the program or as losing AFDC because earnings exceeded the eligibility limits. We tracked each case throughout the 13-month period until one of two events occurred: a change in AFDC status or a change in employment. Cases that closed without a recorded change in employment status are included in this analysis. In analyzing the rates at which earners lost employment and nonearners gained employment before losing AFDC, we found little evidence that OBRA led indirectly to their reducing their work effort.

Figure 5 displays the month-to-month cumulative proportions of earners losing employment. (Table 57 in appendix IV shows the actual proportions of earners losing employment and nonearners gaining employment before losing AFDC.) OBRA-period earner cases had a higher rate than base-period earner cases of losing employment before losing AFDC in 12 months. This was statistically significant only in Syracuse (see table 11). In Milwaukee only, OBRA-period nonearner cases were less likely than base-period cases to gain employment before losing AFDC (statistically significant at the .05 level).

When analyzing the cumulative rates of closings, we found that, in one site, statistically significant differences in cumulative rates between base-period and OBRA-period earners were a function of differences in first-month closings. Since month 1 differences between the base and OBRA periods in the proportion of cases changing employment status were not statistically significant for either earners in Syracuse or nonearners in Milwaukee, there was no need to test the adjusted cumulative rates (see table 57). In sum, we have no strong evidence of an

FIGURE 5

CUMULATIVE PROPORTIONS OF EARNER CASES THAT LOST EMPLOYMENT IN THE BASE AND OBRA PERIODS (ADJUSTED FOR ELIGIBILITY CHANGES) BY MONTH AND SITE

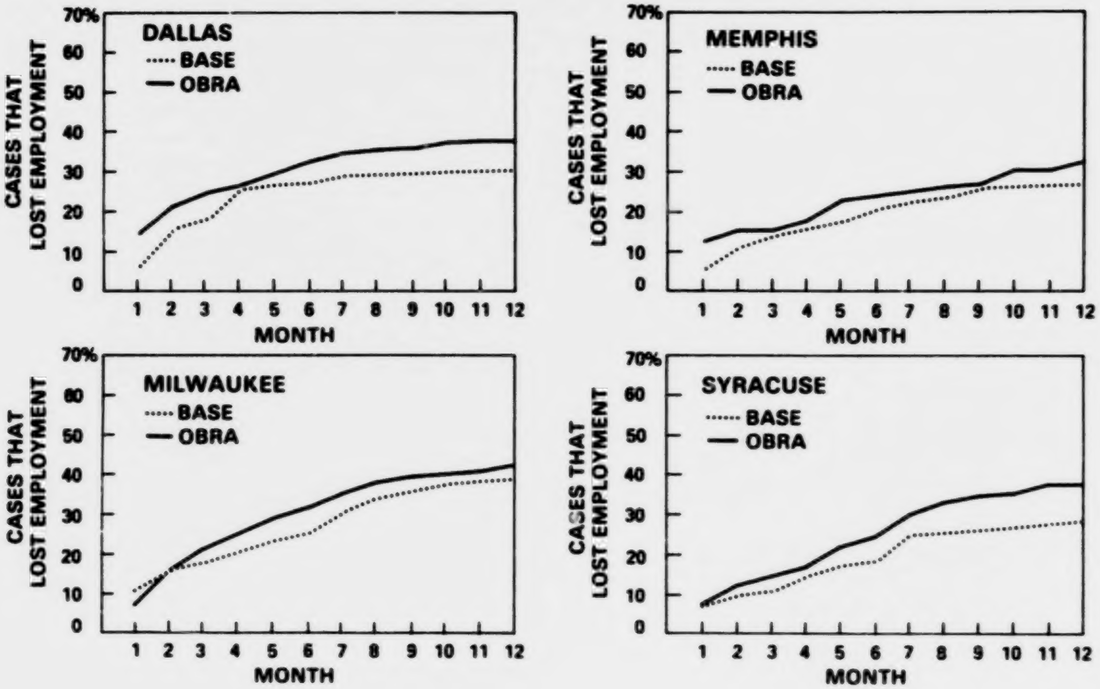


Table 11

Percentage of Earner and Nonearner Cases That Changed Employment Status Over 12 Months in the Base and OBRA Periods, Adjusted for Eligibility Changes, by Site[a]

Case	Boston[b]	Dallas	Memphis	Milwaukee	Syracuse
Earner					
Base		(n=263) 31	(n=264) 27	(n=371) 40	(n=287) 29
OBRA		(n=169) 38	(n=178) 32	(n=505) 43	(n=255) 38*
Nonearner					
Base		(n=236) 12	(n=224) 11	(n=468) 11	(n=247) 9
OBRA		(n=226) 8	(n=218) 8	(n=505) 7*	(n=261) 10

[a] Excludes cases in the OBRA-period sample that lost AFDC for a reason related to OBRA within the implementation window and base-period cases that would not have passed several OBRA income-related rules during similar months of the base period.

[b] Information not available.

*Difference significant at the .05 level.

indirect effect of OBRA on work effort among the cases that OBRA did not immediately close.

Limitations of the analyses

As we noted above, simulating the administrative effect of the OBRA rules on cases that were not subject to them reduces much of the difference between base-period and OBRA-period patterns of work and welfare use among earners, but some difference remains. We do not know whether, or how much of, the remaining difference stems from using a single base period to represent case dynamics before OBRA rather than from the limitations of the analyses. Incomplete data in the case-record files and our inability to replicate perfectly the actual procedures that were used for determining eligibility may mean we slightly overestimated or underestimated the number of cases that would have closed if the OBRA rules had been applied before OBRA's implementation. Additionally, conclusions regarding changes in work effort cannot be confidently drawn, because our analyses look only at the presence or absence of earnings for active cases.

THE CHARACTERISTICS OF THE CASELOAD

The general demographic characteristics of the caseload as a whole changed very little 11 months after OBRA, although there were changes in sources and amounts of income and in other resources. Since OBRA directly changed the rules regarding earned income for AFDC recipients, it is not surprising to find many fewer cases with earnings, and a much lower level of earnings for these cases, in the caseload sample after OBRA than in the two caseload samples before OBRA.

Demographically, the average age of AFDC recipients varied little in the three time periods (the two before OBRA and the one after), as we show in table 12. The typical AFDC case in our five sites consisted of a 30-year-old woman with two children. Similarly, the size of the average case, or "assistance unit," and the number of children in the cases were relatively stable. In two sites, the number of teenage caretakers tended to decrease in both the pre-OBRA and post-OBRA periods, but in the three other sites no such trend was evident.

With respect to welfare history, the longevity of the current participation in AFDC (at the time of sampling) did not vary significantly in any of the three periods in any one site, although there was considerable variation between the sites. The typical case had been receiving AFDC continuously for about 4 years in Boston, 3 years in Milwaukee, 2-1/2 years in Memphis and Syracuse, and slightly more than a year in Dallas. Duration was not particularly shorter or longer in the post-OBRA period than in the base and OBRA periods.

The reasons that were recorded for the most recent case openings also did not change significantly in the three sites

Table 12

Characteristics of the Caseload in the Base, OBRA, and Post-OBRA Sample Months by Site

Characteristic	Sample month[a]	Boston	Dallas	Memphis	Milwaukee	Syracuse
Average case size	Base	2.9	3.0	2.8	2.8	3.0
	OBRA	2.8	3.0	2.8	2.8	2.9
	Post	2.8	3.0	2.9	2.9	3.1
Caretaker						
Average age	Base	33.7	28.9	29.4	29.4	30.2
	OBRA	32.8	30.2	30.1	29.5	30.7
	Post	32.3	31.0	30.2	29.1	30.4
Younger than 18	Base	0.2%	5.3%	4.4%	1.0%	1.0%
	OBRA	1.2	3.4	3.6	1.3	0.3
	Post	1.0	4.0	2.7	0.3	0
Women	Base	97.3%	99.2%	99.2%	98.6%	95.7%
	OBRA	97.8	98.1	99.2	98.6	96.3
	Post	97.7	99.3	98.6	98.3	96.9
Average no. of children	Base	2.0	2.2	1.9	1.9	2.1
	OBRA	1.9	2.2	2.0	1.9	2.0
	Post	1.9	2.2	2.1	1.9	2.2
Median yrs continuously in AFDC	Base	4.2	0.9	2.8	3.0	2.3
	OBRA	4.1	1.1	2.7	3.5	2.5
	Post	3.0	1.5	2.8	3.2	2.7
Caseload size	Base	8,121	9,454	19,616	28,017	5,248
	OBRA	8,318	9,936	19,810	29,325	5,495
	Post	7,042	8,989	18,021	26,867	5,369
Earned income	Base	12.2%	6.4%	5.9%	19.4%	15.7%
	OBRA	14.1	5.7	5.4	16.7	12.3
	Post	4.6	2.8	1.6	6.2	5.9

[a] Base month = 1 year and 1 month prior to state implementation of OBRA; OBRA month = 1 month prior to state implementation of OBRA; post-OBRA month = 11 months after state implementation of OBRA.

in which the data were available: the most common reasons cited for earners and nonearners were divorce, abandonment or separation, unwed pregnancy, and loss of earned and unearned income. The frequency with which nonearner cases were reported to have opened because of lost earnings is a reminder that our division of the caseload into "earners" and "nonearners" refers solely to the presence of earnings in the sample month, not to employment history. Additionally, in Dallas, a larger percentage of cases opened because they had come back into compliance with the AFDC regulations, which implies that they had been in the program previously and that their cases had been closed for failure to comply with the regulations. This suggests that figures on length of continuous participation in Dallas may substantially underestimate the total length of AFDC history for these participants. (See table 13.)

Changes in various income sources, and their amounts (adjusted to September 1981 dollars), between the two pre-OBRA and the post-OBRA sample months changed the composition of monthly assistance-unit income for the caseloads in our five sites. The changes generally increased dependence on assistance income but did not necessarily mean an erosion of real income (on the average, after adjusting for inflation). The many potential components of monthly income included, among others, earnings, AFDC and food stamps, and unearned income from Social Security, Unemployment Insurance, child support, and contributions from stepparents. The sites varied considerably in the percentage of cases receiving funds from particular sources, the amounts received, and the proportion of total income that these amounts represented. (See table 14 on page 48. Similar information for the earner and nonearner portions of the caseload is in tables 58 and 59 in appendix IV.)

AFDC and food stamps were the primary sources of income for the full caseload throughout the sites at all three time points (before and after OBRA). Assistance income (AFDC and food stamps) represented almost 90 percent or more of AFDC recipients' income, on the average, both before and after OBRA. However, in the high-benefit sites, AFDC represented 64 to 87 percent of total income while it represented 39 to 45 percent of total income, on the average, in the low-benefit sites. In the month before OBRA, very few cases in the low-benefit sites had either earned or unearned income other than food stamps (which almost all received), while in the high-benefit sites, 12 to 17 percent had earned income and a few less had unearned income other than food stamps (which 74 to 90 percent received). In addition to having these other sources of income, recipients had average AFDC grants in the high-benefit sites that were about $200 higher than in the low-benefit sites. In the low-benefit sites, food-stamp benefits were $50 to $100 higher. In total, average monthly assistance-unit income was about $200 higher in Milwaukee and Syracuse than in Memphis and Dallas (information was not available for Boston).

Table 13

Reasons for the Most Recent Openings in Earner and Nonearner Caseloads in the Base, OBRA, and Post-OBRA Sample Months by Site

Caseload and reason	Boston[a]	Dallas			Memphis			Milwaukee[a]	Syracuse		
		Base	OBRA	Post	Base	OBRA	Post		Base	OBRA	Post
Nonearner											
Death of family member[b]		0.4%	0.4%	0.7%	1.8%	0.9%	1.4%		0.4%	0.4%	0%
Divorce or separation		16.0	16.4	14.4	12.2	18.9	12.9		26.8	45.0	29.2
Unwed pregnancy		28.7	24.6	29.5	41.4	41.6	37.9		18.4	20.0	22.7
Loss of earned income		19.4	27.9	24.7	15.8	11.6	17.1		16.0	13.5	16.9
Loss of unearned income		15.6	10.2	8.9	3.6	3.4	7.1		11.6	4.6	7.1
Compliance with AFDC regulations related to WIN[c]		0	0.4	0.7	0.5	0.4	0		0	0	0.6
Compliance with other AFDC regulations		13.1	14.3	13.7	3.6	2.1	0.7		0.4	1.5	1.9
Resources used up		0.4	0.4	2.7	1.8	2.1	1.4		2.4	2.7	1.9
Other		6.3	5.3	4.8	19.4	18.9	21.4		24.0	12.3	19.5
Earner											
Death of family member[b]		0.3	0.3	0	0.3	0.6	0		0	0	0
Divorce or separation		21.5	22.2	27.1	21.4	31.0	19.7		41.5	43.8	37.0
Unwed pregnancy		22.0	19.5	14.3	29.6	24.8	17.2		13.8	11.5	10.9
Loss of earned income		28.0	35.0	37.1	16.8	18.0	20.5		21.5	25.4	24.6
Loss of unearned income		12.8	9.8	8.6	6.7	4.4	8.2		7.5	5.7	7.2
Compliance with AFDC regulations related to WIN[c]		1.4	0.8	0	0	0	0		0	0	0
Compliance with other AFDC regulations		9.5	7.0	10.0	2.3	3.5	1.6		1.9	2.2	1.4
Resources used up		0.8	0.5	1.4	3.8	1.8	2.5		2.2	3.1	1.4
Other		3.8	4.9	1.4	19.1	15.9	30.3		11.6	8.4	17.4

[a] Reasons for case openings not available.
[b] That is, the loss of a person responsible for a child's support.
[c] Work Incentive program.

BLANK

PAGE

Table 14

Income and Its Sources in the Caseload in the Base, OBRA, and Post-OBRA Sample Months by Site[a]

Source[c]	Boston[b] Base	Boston[b] OBRA	Boston[b] Post	Dallas Base	Dallas OBRA	Dallas Post	Memphis Base	Memphis OBRA	Memphis Post	Milwaukee Base	Milwaukee OBRA	Milwaukee Post	Syracuse Base	Syracuse OBRA	Syracuse Post
AFDC and food stamps															
Average $ amount	406	--	403	302	290	279	274	271	300	449	454	502	411	434	459
% of total income	--	--	--	97	97	99	96	97	99	85	88	95	88	91	94
AFDC															
Average $ amount	334	326	326	118	106	103	124	111	115	400	396	428	313	308	318
% of total income	--	--	--	39	41	44	45	45	45	70	78	87	64	70	73
Food stamps															
% cases receiving	82.2	78.4	75.0	93.2	92.3	91.1	87.6	89.7	93.8	71.9	74.3	88.9	88.1	89.8	89.1
Average $ amount	88	--	103	194	198	189	177	179	197	68	79	82	108	129	146
% of total income	--	--	--	58	61	63	55	57	61	12	14	15	22	25	28
Other unearned income															
% cases receiving	2.9	3.7	3.5	<0.1	0.8	0.1	3.3	3.2	2.7	7.2	5.2	5.5	11.2	8.2	11.1
Average $ amount	--	--	--	[d]	[d]	[d]	134	71	70	212	178	171	122	132	153
% of total income	--	--	--	[d]	[d]	[d]	36	24	17	37	32	29	25	26	31
Earned income															
% cases receiving	12.2	14.1	4.6	6.4	5.7	2.8	5.9	5.4	1.6	19.4	16.7	6.2	15.7	12.3	5.9
Average $ amount	--	--	--	343	320	110	306	302	120	606	574	323	494	487	313
% of total income	--	--	--	52	50	29	53	51	30	64	64	47	60	59	48
Total average $ income	--	--	--	324	309	282	295	298	304	583	559	534	500	505	495

[a] In September 1981 dollars adjusted against the local consumer price index.
[b] Missing data not available from Boston's computerized files.
[c] Average dollar amount and percent of total income calculated only for cases receiving income from that source.
[d] Data not analyzed because of small sample size.

As expected, the proportion of the caseload with earnings and the average amount of earnings decreased from the pre-OBRA to the post-OBRA period. Also as expected, AFDC increased, except in Memphis, as a proportion of recorded income for assistance units. While food stamps remained an important source of income in the low-benefit sites, the proportion receiving food stamps increased substantially in Milwaukee after OBRA's implementation. In contrast, the other sources of unearned income did not contribute much to average monthly assistance-unit income either before or after OBRA in any site.

Changes in average monthly assistance-unit income before and after OBRA do not follow the high-benefit and low-benefit patterns. While average adjusted income decreased during the three time periods in Dallas, average income changed little in Memphis, the other low-benefit site. The difference between these two sites seems to result primarily from increases after OBRA in food-stamp participation and average benefits in Memphis and small decreases in food-stamp participation and average benefits in Dallas.

The caseloads in the two high-benefit sites (excluding Boston) were also different in adjusted monthly assistance-unit income, which declined steadily in Milwaukee in the three time periods and remained roughly the same in Syracuse. In Milwaukee, a greater percentage of people depended on earnings for a higher proportion of their total income in the base period, compared to Syracuse; the drop in the number of earners and their earnings in both sites in the post-OBRA period was thus greater in Milwaukee. Furthermore, average food-stamp benefits and unearned income, other than AFDC and food stamps, increased after OBRA in Syracuse while they remained roughly the same in Milwaukee. Finally, in Milwaukee before and after OBRA, the caseload declined in the proportion of cases receiving unearned income and declined in the amount they received. In Syracuse before and after OBRA, about the same proportion of cases received unearned income and received larger amounts, and this income was a slightly larger component of total assistance-unit income.

SUMMARY OF EFFECTS AND SITE VARIATIONS

OBRA's effects were not felt evenly across the sites, but as expected, they primarily affected people with earned income: in the first few months, OBRA terminated or reduced the benefits of 60 to 87 percent of the earner cases. Since these cases constitute only a small portion of the entire caseload, OBRA directly affected fewer than one in five cases at any site by reducing or terminating their grants. In sites with lower AFDC benefits, earner cases were much more likely to be closed than to have their grants reduced, while in the sites with higher benefits (except Boston), closings and reductions were more roughly equivalent in frequency. Moreover, cases closed by OBRA in the low-benefit sites had, on the average, pre-OBRA income similar to that of those that remained in the program in the high-benefit sites, primarily because of different income ceilings before and after OBRA.

Comparing closing rates for the remainder of the OBRA-period caseload with those for cases with similar income characteristics in the base period shows that OBRA appears to have had the continuing effect of reducing the caseload by closing cases in three sites after the first few months of implementation. However, for one of these sites, the substantially higher closing rate among earner cases appears to be a function of a higher closing rate in the first month after OBRA was implemented. These cases, which were closed primarily on procedural grounds, appear to have been closed as an indirect result of a state's need to collect additional information from recipients in order to implement the OBRA changes.

In the three sites with sufficient data to analyze, most cases whose AFDC grants were reduced by OBRA were in AFDC 1 year after the OBRA sample month, usually with changes in employment. Most had been working part-time prior to their grant reductions, but many of those receiving AFDC a year later had either stopped working altogether (25 to 56 percent of cases receiving AFDC) or were still working only part-time 1 year after the OBRA sample month. (We have no information on employment and income for cases not receiving AFDC at that later time.)

Generally, in our comparison of base-period and OBRA-period cases, we found conflicting evidence that OBRA affected AFDC participation beyond the OBRA implementation window. We found lower rates of return to AFDC 1 year later for earner cases closed in the OBRA period, compared to a similar group in the base period, which appears to be accounted for by the stricter eligibility rules. A year after OBRA was implemented, many more earners were out of the program in the OBRA-period than in the base-period. This appears to have been caused partly by the large number of cases OBRA closed within the implementation window and partly by lower rates of return to AFDC in the OBRA period than in the base period.

For our earner and nonearner caseload samples, we compared the base period to the OBRA period and adjusted for the administrative effect of OBRA's rules on eligibility in the base period, and we found no convincing evidence of OBRA's effect on the work effort of cases not terminated by OBRA within the implementation window. After OBRA was implemented, earner cases in all but one site were no more likely to lose employment than they were before; in all but one site, OBRA nonearners were no less likely to start earning after OBRA. These findings should be interpreted with care, because we used only one baseline period, case-record data for simulating OBRA were limited, and the definition of "work effort" as "employment versus unemployment" was necessarily broad.

Because of OBRA's somewhat selective effect on earners, few changes are apparent in the demographic characteristics of the total caseloads in the five sites. In each site, as one would expect, the post-OBRA caseload had a smaller proportion of earners, and they were somewhat more dependent on AFDC and food stamps. Few cases received income from sources other than earnings, AFDC, and food stamps, either before or after OBRA. In the three sites where information was available, divorce, abandonment or separation, unwed pregnancy, and loss of earned and unearned income remained the most frequent reasons for opening cases in the post-OBRA caseload.

Observable differences in food-stamp participation and benefit levels, and to a lesser extent changes in AFDC and earnings, contributed to differences in the average monthly income for assisted households before and after OBRA. Average total monthly income fluctuated over the period in Memphis and Syracuse and decreased in Dallas and Milwaukee (Boston is excluded for lack of data). The difference between Memphis and Dallas seems to stem mainly from higher participation in the Food Stamp Program and higher food-stamp benefits in Memphis after OBRA. The difference between Syracuse and Milwaukee seems also to arise in the more important role in total income that unearned income played in Syracuse after OBRA. In addition, earnings were very important to total income for the caseload in Milwaukee prior to OBRA; the reduced role of earnings after OBRA was not compensated for, despite a greater increase in participation in the Food Stamp Program. However, average monthly income for assistance units in the high-benefit sites remained about $200 higher than in the low-benefit sites.

CHAPTER 4

FOOD-STAMP AND OTHER INCOME CHANGES FOR WORKING FAMILIES AFFECTED BY OBRA

In chapters 4, 5, and 6, we answer the questions of the Committee on Ways and Means about the economic well-being and general circumstances of individuals and households affected by the OBRA changes. One-and-one-half to 2 years after OBRA was implemented, the earner cases that OBRA closed within the implementation window generally had substantial real income losses (median losses ranged from $109 to $189 in monthly income) and 81 to 90 percent of the cases in the low-benefit sites that were closed, versus 30 to 44 percent in the high-benefit sites, had income below the poverty level, as officially defined. The reduced-grant cases in the program a year later also experienced losses in real income (median losses ranged from $65 to $152 in monthly income). Many closed cases that had been receiving food stamps and AFDC lost food-stamp eligibility when their AFDC benefits were terminated (58 to 77 percent in the high-benefit sites, 9 to 39 percent in the low-benefit sites). They may have lost food stamps because of OBRA's changes to the Food Stamp Program. Earners whose AFDC grants were reduced but not terminated were generally compensated for about one third of their AFDC losses by an increase in food-stamp benefits. We have no information on later food-stamp benefits for cases that lost AFDC but retained food stamps; it is likely that they were similarly compensated.

We derived our information on the economic well-being of families from interviews we conducted 1-1/2 to 2 years after they were removed from AFDC. Interview responses were not verified against paycheck stubs or other records. Although we employed customary interview procedures for obtaining the most accurate data possible, the data are subject to the sources of error typically associated with income surveys. These include recall error and potential bias in reporting events and amounts. In order to assess the magnitude of reporting bias, if any, we compared earnings reported in the interviews with earnings recorded in the AFDC case records. Although these data sources are not strictly comparable (because our sampling month is not always the month before the cases were closed by OBRA), the amounts of earnings reported in the interviews were quite similar to the income amounts we found in the welfare office records (aggregate median earnings varied by less than $25 between sources).[1]

---

[1] Amounts from the two sources, aggregated across sites, were highly correlated (r = 0.63), and the average reported earnings exceeded the average recorded earnings by a quarter of a standard deviation. Median amounts, the measure we typically use in reporting income amounts, were substantially closer, differing by only $25 in monthly income.

INITIAL LOSSES OF AFDC AND FOOD STAMPS

In Initial Analyses, we reported our preliminary finding that average AFDC dollar losses attributable to OBRA among earners whose grants were terminated or reduced within the implementation window were large, both absolutely and relative to state payment standards. Many OBRA-period earners whose AFDC cases were closed reported the simultaneous loss of food stamps. This finding contradicted the prediction of some analysts that increases in food-stamp benefits, triggered by reduction in AFDC income, would at least partially compensate for the lost AFDC income.

In our further analyses, we found that many earners whose AFDC grants were reduced by OBRA did receive increases in food-stamp benefits that partially compensated for the AFDC reductions. We found also that changes OBRA made to the Food Stamp Program that removed people from it may account for many of the instances of the simultaneous loss of food stamps and AFDC reported in our interviews. In one site, a court order had directed the welfare office to cease improper practices that ended food-stamp eligibility for cases terminated from AFDC. Most of the cases reporting the simultaneous loss of AFDC and food stamps did not receive food stamps during the 1-1/2 to 2 years between their loss of AFDC and our interviews with them.

Initial losses of AFDC

We call an AFDC "dollar loss" the amount by which OBRA reduced an AFDC grant monthly, either because the case was closed or because the grant was reduced within the implementation window. Dollar losses for earners in our sites were large, both absolutely and relative to state AFDC payment standards, although they tended to be much smaller in the sites with lower payment standards. The average loss for closed cases was $71 and $74 in Dallas and Memphis but $156 in Boston, $169 in Syracuse, and $198 in Milwaukee. For reduced cases, the average loss was $46 and $52 in Dallas and Memphis but $110 and $137 in Syracuse and Milwaukee. (It was not possible to estimate the number of grant reductions in Boston.)

OBRA's joint effect on AFDC and food stamps

OBRA made at least two changes to the rules for food-stamp eligibility that could have removed AFDC recipients as well as others from the Food Stamp Program, changes implemented during the same time as the AFDC changes. Prior to OBRA, the law specified a net-income test for food stamps, but OBRA initiated a "130-percent of the poverty line gross-income" test for food-stamp eligibility for households without elderly or disabled members, just as it initiated a need-standard gross-income test for AFDC (150 percent of the state need standard). In only one site (Milwaukee) is the test for food stamps more stringent than

Table 15

Gross Income Tests: 1981 State AFDC Need Standards Compared to Poverty Level for 3-Person Households by Site

Item	Boston	Dallas	Memphis	Milwaukee	Syracuse
Need standard	$379	$168	$179	$556	$381
150% of need standard	$569	$252	$269	$834	$572
130% of poverty level	766	766	766	766	766
Difference between gross income tests for AFDC and food stamps	$197	$514	$497	-$ 68	$194

the test for AFDC. Thus, in four sites, cases losing AFDC eligibility because of income should at the same time have lost food-stamp eligibility also because of income only if their income exceeded the food-stamp limit, the easier of the two tests to pass in these sites. (See table 15 for a comparison of the two income tests.)

It should be noted that the state AFDC need standard is determined by the states and differs from state to state whereas the poverty line is determined by the federal government, is adjusted annually, and is the same in all states. We were told by a local food-stamp official in Dallas that the 130-percent test removed cases from the Food Stamp Program in Dallas that were otherwise eligible for food stamps because of allowable deductions. (In Dallas, Memphis, and Milwaukee, the 130-percent test was implemented concurrently with the OBRA provisions on AFDC; it was implemented afterward in Boston and before in Syracuse.)

Another OBRA change to the Food Stamp Program redefined "household" for the purpose of distributing food stamps. OBRA stipulated that the income of all nonelderly parents and children who live together must be included in the food-stamp eligibility determination, even if these persons purchase and prepare food separately. A food-stamp official in Dallas said that this provision removed people from the Food Stamp Program in Texas, stating also that the provision was applied only when a case reported a change (and so required a recomputation of food-stamp benefits) and when a case came due for recertification. A local food-stamp official in Memphis explained that the provision had a delayed effect in Tennessee also, since it was phased in during the 12 months after October 1, 1981, as cases came due for food-stamp recertification. Moreover, the two provisions, the one imposing the test and the other redefining "household," would have interacted to deny food stamps to cases that might have met the two tests singly but whose gross household income (under the food-stamp definition of household) exceeded 130 percent of the poverty line.

Simultaneous losses of AFDC and food stamps

Overall, 8 to 48 percent of the earners whose AFDC cases were closed by OBRA reported the simultaneous loss of food stamps. However, earners who lost AFDC in the high-benefit sites were much less likely than earners in the low-benefit sites to have been receiving food stamps when their cases were closed, so that the proportion of earners who lost food stamps varied substantially across the sites. In Boston, Milwaukee, and Syracuse, 58 to 77 percent of the closed earner cases that had received food stamps prior to losing AFDC reported, when we interviewed them, that they did not receive food stamps in the first 2 months after the AFDC loss. In Memphis, 9 percent reported the simultaneous loss of food stamps; in Dallas, 40 percent. The much lower rates of food-stamp loss in Dallas and Memphis probably reflect the fact that the AFDC income limits in Texas and Tennessee were substantially below the food-stamp income limit. That the AFDC limits were lower than the food-stamp limits means that fewer cases could be expected to exceed the food-stamp income limit in the low-benefit sites than in the high-benefit sites, where the income limits for the two programs were not as disparate. (See table 16.)

Among the earners reporting the simultaneous loss of AFDC and food stamps, the average monthly loss in food stamps ranged from $63 to $82 in Boston, Milwaukee, and Syracuse but was $102 in Memphis and $149 in Dallas. Thus, in the two latter sites, many cases losing both lost more in terms of food stamps than the average loss of AFDC. In the sites where AFDC benefits were higher, monthly food-stamp losses were $50 or less in about 30

Table 16

Changes in Earners' Receipt of Food Stamps When OBRA Terminated Their AFDC Grants by Site

Food-stamp receipt	Boston	Dallas	Memphis	Milwaukee	Syracuse
Received in the month before AFDC loss	50.8%	90.6%	96.7%	42.6%	79.3%
Did not receive in the 2 months after	77.0% (n=61)	39.7% (n=116)	8.6% (n=116)	57.7% (n=52)	60.4% (n=111)
Average loss	$82	$149	$102	$63	$79
$50 or less	30.0%	5.1%	12.5%	33.3%	32.3%
$100 or more	27.5	71.8	25.0	6.7	21.0
Regained					
Within 3 months	10.6	4.3	10.0	3.3	3.0
Within 6 months	10.6	13.0	20.0	6.7	20.9
Never	63.8	56.5	60.0	56.7	67.2
Did not receive before AFDC loss	49.2	9.4	3.3	57.4	20.7
Received in 1 of 2 months after	3.4 (n=59)	25.0 (n=12)	0 (n=4)	2.9 (n=70)	6.9 (n=29)

percent of the cases; in the sites where AFDC benefits were lower, only 5 to 12 percent had this relatively small a loss. In all sites but Milwaukee, at least one in five of the cases losing food stamps and AFDC at the same time lost $100 or more in food stamps monthly; in Dallas, 72 percent lost $100 or more. The larger food-stamp losses in Dallas and Memphis are probably a function of the lower AFDC payment standards in these sites. Because the food-stamp benefit is contingent on income that includes AFDC, households in the low-benefit sites might have had the same earnings as those in the high-benefit sites but, receiving the smaller AFDC payments, would have received the larger food-stamp benefits.

Most of the cases with simultaneous losses reported that they did not receive food stamps again during the period between their loss of AFDC and our interview with them (56 to 67 percent across the sites). Few of these cases reported reapplying for food stamps during this period, ranging from 12 percent in Milwaukee to 23 percent in Syracuse and Boston. However, a few cases did return to food stamps within 6 months of their AFDC loss (7 to 21 percent across the sites), and some of these returned within just 3 months (3 to 11 percent). We do not have sufficient information to determine whether any cases would have been eligible for food stamps again but did not apply.

We did not review the records on the Food Stamp Program because AFDC was our focus of study. However, to determine how well OBRA's changes to the Food Stamp Program might explain the simultaneous loss of food stamps and AFDC benefits, we looked in detail at the AFDC case-record data on income and household composition in four sites (information for Boston was not available). These data are limited, because we have income data for periods prior to OBRA only for members of AFDC assistance units, and the food-stamp "household" and AFDC "assistance unit" are not necessarily identical, as we discussed above. In other words, we do not know household income for any household that was larger than the assistance unit prior to OBRA. In addition, we do not know what household members besides those in the assistance unit were receiving food stamps before OBRA. Therefore, we cannot determine for each case precisely why food stamps were lost.

Keeping these limitations in mind, we suggest that the data show that at least some of the cases reporting the simultaneous loss of AFDC and food stamps probably lost food stamps because of OBRA's changes in the Food Stamp Program. For example, some cases (5 to 26 percent) reporting simultaneous losses were also recorded as having assistance-unit income of 130 percent or more of the poverty line. These cases may have been removed from the Food Stamp Program for failing OBRA's new gross-income test.

In addition, 80 to 90 percent of the cases reporting simultaneous losses were AFDC assistance units that were living in households containing other persons. Some of these cases may have included members beyond their AFDC unit in their food-stamp unit and were thus disqualified for food stamps, their combined gross income exceeding the new limit. Other cases may have been defined the same for both AFDC and food stamps prior to OBRA but were closed by OBRA's definition of household, which required including in the eligibility determination the income of other related persons living in the household, whether or not they were applying for food stamps as well.

Food-stamp regulations require the redetermination of eligibility and benefits for all cases when their AFDC grants change. However, not all food-stamp officials in our five sites were sure that OBRA's termination of AFDC grants was followed by redeterminations for food stamps that included the application of the new OBRA food-stamp provisions as they were being phased in. Thus, after OBRA, even the recomputation of food-stamp benefits does not necessarily mean that food-stamp eligibility was recertified under the new provisions. In one site, cases were apparently removed, without a redetermination of eligibility, from the Food Stamp Program upon termination from AFDC. The U.S. District Court in Massachusetts ordered the state not to end food-stamp benefits solely because of a household change from public to nonpublic assistance--that is, solely because a household no longer received AFDC. Further, the court ordered the restoration of food stamps to households who were removed improperly from the Food Stamp Program after January 31, 1981.

Limited food-stamp gains

For earners who lost AFDC and were not receiving food stamps when their cases were terminated, new participation in the Food Stamp Program did little to offset the loss of AFDC benefits. Very few of these cases reported receiving food stamps in either of the first 2 months after an AFDC loss. In the sites with lower AFDC benefits, most cases had been receiving food stamps before losing AFDC. In the sites with higher AFDC benefits, where the pre-OBRA rate of food-stamp participation was lower, only 3 to 7 percent of the AFDC terminees not already receiving food stamps reported receiving food stamps in either of the first 2 months after AFDC loss (see table 16).

For cases reporting that they continued to receive food stamps after their AFDC losses (23 to 42 percent of those enrolled in the Food Stamp Program in the high-benefit sites, 60 to 91 percent in the low-benefit sites), we do not have data on the changes in the amount of food-stamp benefits. Presumably, food-stamp benefits would have increased, all other things being equal, for these cases at a rate of 30 cents for every dollar lost in AFDC income.

Food-stamp gains compensatory for AFDC grant reductions

While some earners who were removed from AFDC by OBRA simultaneously lost food stamps, the majority of the earners whose AFDC grants were reduced experienced a rise in their food-stamp benefits. Furthermore, the typical increase was of such magnitude that it offset at least one third of the AFDC loss. Because food-stamp benefits can change when the food-stamp "household" changes composition, regardless of any change in AFDC benefits, we excluded from analysis cases that changed composition between the month before and the month of OBRA's reduction of AFDC grants.

Of the cases receiving food stamps prior to their AFDC grant reductions, 57 to 89 percent in all sites but Boston had higher food-stamp benefits in the month their AFDC grant was reduced. (See table 17. Reductions caused by OBRA could not be identified in Boston.) More than 60 percent of these cases in each site had increases of $10 or more. The average increase ranged from $15 in Dallas to $24 in Syracuse.

The anticipated compensation in food stamps for AFDC loss at the rate of 30 cents more in food stamps for every dollar less in AFDC occurred generally where cases had been receiving food stamps before their AFDC grant reductions. Table 17 gives the median observed ratio of the food-stamp increase to the AFDC reduction as 30 to 36 percent. Because of a few cases with relatively large food-stamp increases and relatively small AFDC decreases, the median gives a better description than the mean for reduced-grant cases as a whole. Cases with lower food-stamp benefits ranged from 4 percent of cases with reduced AFDC

Table 17

Changes in Earners' Receipt of Food Stamps
When OBRA Reduced Their AFDC Grants by Site

Food-stamp receipt	Boston[a]	Dallas	Memphis	Milwaukee	Syracuse
Received in the month before AFDC reduction[b]		83.3%	98.4%	46.5%	88.5%
Increased in that month[c]		(n=21) 62%	(n=63) 57.1%	(n=124) 88.7%	(n=118) 76.3%
Average increase		$15	$22	$19	$24
Average AFDC reduction		$43	$41	$43	$69
Median increase as % of AFDC reduction		30%	34%	33%	36%
Decreased in that month[c]		14%	6.3%	4.0%	5.1%
Lost		0	0	6.5%	0.8%
Did not receive in the month before AFDC reduction[b]		0	1.6%	53.5%	4.7%

[a] It was not possible to estimate the number of grants reduced by OBRA.

[b] May not add to 100 because of the small number of cases the composition of whose food-stamp "households" was unknown.

[c] Cases the composition of whose food-stamp "households" did not change. Dallas figures rounded because of small sample size.

grants in Milwaukee to 14 percent in Dallas. Only in Milwaukee and Syracuse did any reduced AFDC cases lose food stamps entirely.

In three sites, the food-stamp benefits of some cases receiving food stamps prior to their AFDC grant reductions did not change: 18 percent in Syracuse, 24 percent in Dallas, 37 percent in Memphis. In Milwaukee, the figure was less than 1 percent. Milwaukee's low figure may be attributable to Wisconsin's joint administration of AFDC, food stamps, and Medicaid through an automated information system; a change in the status of a case under one program is concurrently applied to the case under the other programs.

SUBSEQUENT INCOME LOSSES

Having found that cases directly affected by OBRA lost sizable portions of their income by closings and reductions, and that many of the closed cases did not return to the AFDC program, we looked at the subsequent income of these cases. To describe the reduced-grant cases, we were limited to case-record data and to the cases that were receiving AFDC 1 year later. For closed cases, we drew primarily on the interviews we conducted between 1-1/2 and 2 years after they were closed.

Changes in income for reduced-grant cases receiving AFDC 1 year later

The analysis of income changes for reduced-grant cases is confined to cases in AFDC 1 year after the OBRA-period sample month. We do not have case-record data, of course, for reduced-grant cases that were not open 1 year later--25 to 57 percent of all the reduced-grant cases. Moreover, because we have no data on Boston and because of the small number of reduced-grant cases in Dallas, and the small proportion of these in AFDC 1 year after OBRA, the following discussion is confined to Memphis, Syracuse, and Milwaukee--where 75, 70, and 61 percent, respectively, of the reduced-grant cases were in AFDC at this later time.

Twelve months after OBRA in the three sites, reduced-grant cases receiving AFDC showed statistically significant losses in income from earnings, AFDC, and food stamps combined, adjusted for inflation. Median losses in monthly income from these three main sources ranged from $65 in Memphis to $131 and $152 in Syracuse and Milwaukee. (See table 18 on the next page.) On the average, cases whose grants were reduced lost between 17 and 23 percent of the income they had been receiving before OBRA. Half in Memphis lost more than $65; half in Syracuse lost more than $131; half in Milwaukee lost more than $152. Indeed, 36 percent of these cases in Milwaukee lost more than $200 in adjusted monthly income between the month before the reduction and 12 months after OBRA's implementation; the comparable figure is 29 percent in Syracuse but only 4 percent in Memphis.

Cases in which the "payee" was working 12 months after OBRA typically experienced less than half the income loss experienced by cases in which the "payee" was not working at that time, but their losses in monthly income were still substantial. In Memphis, where 64 percent of the active AFDC cases were working, the median loss in monthly income was $56 for workers and $120

Table 18

Earners' Monthly Income and Source of Unearned Income 1 Month Before Their AFDC Grants Were Reduced and 12 Months After the Sample Month by Site

Income and source	Time	Boston[a]	Dallas[b]	Memphis	Milwaukee	Syracuse
Monthly income[c]						
Average				(n=46)	(n=232)	(n=84)
	Before			$452**	$759**	$733**
	After			372	572	571
Median	Before			$434	$743	$696
	After			364	565	592
$ change				-$65	-$152	-$131
% change				-16.5%	-20.5%	-17.7%
Median change						
Working	After			(n=29) -$56	(n=100) -$86	(n=62) -$102
Not working	After			(n=16) -$120	(n=132) -$213	(n=21) -$212
Unearned income source						
Food stamps	Before			(n=48) 97.9%	(n=234) 56.0%	(n=91) 96.7%
	After			(n=46) 95.7%	(n=234) 94.4%	(n=86) 95.3%
General Assistance	Before			0	0	1.0
	After			0	0	1.0
Unemployment Insurance	Before			0	0	1.0
	After			0	5.1	3.8
Social Security	Before			2.1	2.1	1.9
	After			2.1	2.5	1.0
Worker's compensation	Before			0	0	1.0
	After			0	0.4	0
Other	Before			0	2.1	8.7
	After			0	2.5	6.7
Two or more sources	Before			2.1	3.4	8.8
	After			2.2	10.7	12.8

[a] Information not available.

[b] Analysis not performed because of small sample size.

[c] Income = earnings + AFDC + food stamps (in September 1981 dollars adjusted against the local consumer price index).

**Difference significant at the .01 level. Medians and percentages were not tested for statistical significance.

for nonworkers. In Milwaukee, the 43 percent of the cases that were working had a median loss of $86; for nonworkers, the loss was $213. In Syracuse, the 75 percent working lost a median of $102, the others $212.

Because our data on reduced-grant cases are restricted to the AFDC case records, we do not have information about household income comparable to our interview data from closed cases. However, we do have information about some other sources of unearned income received by members of assistance units. Participation in programs other than AFDC and food stamps was generally low, both in the month before grant reductions and 1 year after the sample month (table 18). Counting the five programs about which we gathered data--food stamps, General Assistance, Unemployment Insurance, Social Security, and worker's compensation--few cases whose grants were reduced participated in any program other than food stamps. Moreover, few participated in more than one of these programs. When we include other sources of unearned income--contributions from a stepparent, child-support payments, interest on savings, military allotments, and so on--only a few cases more than these received something from more than one source.

In the programs about which we gathered data, participation was by far the highest in food stamps both before and after OBRA. In the month prior to OBRA, participation ranged from 56 percent of the cases that received AFDC 1 year later in Milwaukee to 97 and 98 percent in Syracuse and Memphis. By the end of 1 year after the sample month, participation in food stamps in Milwaukee by this group had increased to 94 percent, while it remained stable in Syracuse and Memphis at 95 and 96 percent. In other words, reduced-grant cases in Milwaukee were much more likely to be receiving food stamps after the reduction than before. The relatively small number of cases that were still working in Milwaukee (44 percent), and Wisconsin's integrated administration of food stamps and AFDC, helps explain this increase, at least partially.

These results parallel those we described above for the earner caseload, of which the reduced-grant cases are a subset: relatively stable food-stamp participation in three sites with a large increase in Milwaukee and few cases receiving other unearned income, Syracuse and Milwaukee having the greatest number receiving other unearned income.

Changes in income for closed earner cases 1-1/2 to 2 years later

Regardless of whether one examines averages, as we did in our earlier report, or medians, as we do here, cases that lost AFDC generally reported at the time we interviewed them that they had had substantial losses in income from earnings, AFDC, and food stamps (adjusted for inflation) in all five sites. The respondents in the low-benefit sites typically felt the largest

Table 19

Earners' Monthly Income 1 Month Before They Lost AFDC Because of OBRA and After, in the Month of Our Interview, by Site[a]

Income and change	Time	Boston	Dallas	Memphis	Milwaukee	Syracuse
Working		(n=120)	(n=128)	(n=120)	(n=122)	(n=140)
	Before	100.0%	89.8%	96.7%	95.9%	97.1%
	After	87.5	68.8	62.5	77.0	85.0
Monthly income[b]						
Average	Before	$925	$731	$649	$1,004	$871
		(n=104)	(n=106)	(n=88)	(n=119)	(n=129)
	After	$801	$529	$479	$788	$717
		(n=116)	(n=124)	(n=117)	(n=118)	(n=140)
Median	Before	$906	$722	$632	$974	$860
	After	837	524	441	805	740
Minus housing	Before	$739	$600	$536	$769	$689
	After	659	404	364	598	560
Change in monthly income (median)						
All cases[b]		(n=102)	(n=103)	(n=87)	(n=115)	(n=129)
$ change		-$109	-$189	-$143	-$153	-$129
% change		-12%	-23%	-26%	-17%	-15%
Working	After	(n=88)	(n=68)	(n=52)	(n=88)	(n=110)
$ change		-$24	-$122	-$57	-$121	-$92
% change		-2%	-18%	-9%	-11%	-11%
Not working	After	(n=14)	(n=35)	(n=35)	(n=27)	(n=19)
$ change		-$682	-$461	-$367	-$518	-$529
% change		-81%	-77%	-52%	-51%	-74%

[a] Income = earnings + AFDC + food stamps (in September 1981 dollars adjusted against the local consumer price index).

[b] Sample sizes reduced because of missing data.

percentage losses. Median losses of real income in Dallas and Memphis were 23 and 26 percent. Median losses were also sizable in the other sites, ranging from 12 to 17 percent of real income prior to the loss of AFDC. (See table 19.)

We reported earlier that, at the time of our interviews, the majority of the respondents whose cases had been closed by OBRA still had earnings. Between 7 and 27 percent of the respondents received AFDC, and the percentage receiving food stamps varied widely in the sites. Even when we calculated income losses separately for the employed and unemployed, we found that both suffered losses. However, the unemployed terminees had much greater median losses of pre-OBRA income (51 to 81 percent) than terminees who were employed (2 to 18 percent; see table 19). In adjusted dollars (on very small samples), the median loss for unemployed respondents ranged from $367 in Memphis to $682 in Boston. The respondents who were employed had substantially lower median losses, ranging from $24 in Boston to $122 in Dallas.

To determine whether changes in the cost of housing increased or decreased these losses, we subtracted housing costs from the respondents' income at each time point. Adjusting the numbers in this way, we found in all the sites that housing costs had little effect on differences in income.

As we noted earlier, OBRA terminees in the high-benefit sites (Boston, Milwaukee, and Syracuse) experienced greater immediate losses of income by losing AFDC grants than those in the low-benefit sites. Yet, percentage income losses after 1-1/2 to 2 years among AFDC terminees were greater in the low-benefit sites (Dallas and Memphis). However, in terms of dollars (adjusted for inflation), only respondents in Dallas had a noticeably larger median income loss than respondents in the high-benefit sites ($189 versus $109 to $153).

Respondents in Dallas and Memphis were likely to have had larger percentage income losses than respondents in the high-benefit sites for two reasons: they had less pre-OBRA income, on the average, and fewer respondents were employed at the time of the interview. When this issue was examined for working and nonworking individuals separately, a more complex set of results emerged.

Specifically, among employed respondents, only the median percentage income loss was greater in Dallas (18 percent) than in the three high-benefit sites (2 to 11 percent). In the other low-benefit site, Memphis, the median percentage loss (9 percent) was roughly equivalent to that in the high-benefit sites. For employed respondents, there was no distinctive pattern of median dollar income loss associated with high-benefit versus low-benefit sites. For unemployed respondents, the pattern of neither percentage income loss nor dollar loss was associated with the benefit level of the site. (The sample sizes are small for this analysis, however, yielding unstable results.) Thus, it appears that the larger median percentage loss in Memphis (26 percent) than in the high-benefit sites is a function of the larger percentage who were unemployed, while in Dallas the larger median loss (23 percent, or $189) is a function of both the larger percentage who were unemployed and the generally lower pre-OBRA income.

In order to characterize the economic well-being of the families who lost AFDC, we examined household income. We defined household income, for which data were available only at the time of our interviews, as the cash income of all the persons residing in one living unit. In addition to a respondent's income, this includes the earnings of other household members and their various sources of income other than AFDC: child support, Supplemental Security Income, and so on. We found that household income exceeded respondent income in a range from 32 percent of the cases in Boston to 59 percent in Syracuse. In some instances, these respondents may have shared living quarters with other people (a topic that we address directly in chapter 5).

Table 20

Percentage of Earner Respondents Who Lost AFDC Because of OBRA and Their Households by Income Level at the Time of Our Interview by Site

Income	Boston	Dallas	Memphis	Milwaukee	Syracuse
Household[a]					
Below 1983 OMB poverty level					
130%	54.3	89.3	96.5	53.8	68.6
125%	50.9	88.5	95.7	47.9	64.3
100%	30.2	81.1	89.6	31.6	43.6
75%	16.4	59.0	78.3	17.9	23.6
Above $15,000 annualized	16.4	6.5	3.4	16.9	8.6
Respondent[b]					
Above $15,000 annualized	11.2	3.2	1.7	9.3	6.4
Below household	31.9	41.1	47.9	41.5	59.3

[a] Income = cash income of all household members.
[b] Income = earnings + AFDC + food stamps.

In table 20, we show the percentages of households whose annualized income stood various points above or below the poverty line as defined for fiscal year 1983 by the Office of Management and Budget. The income of more than half of all the households in our interview sample fell below 130 percent of the poverty line. To see this finding in context, it should be recalled that 130 percent of the poverty line is the figure the federal government uses in determining eligibility for food stamps. Thirty to 44 percent of the cases we interviewed in the high-benefit sites were "in poverty" as officially defined, compared to 81 to 90 percent in the low-benefit sites. In fact, the income of the majority of the households in the low-benefit sites (59 to 78 percent) was below 75 percent of the poverty line. Other families were faring somewhat better in the high-benefit sites; the annualized income of 6 to 11 percent of the respondents and 9 to 17 percent of the households was greater than $15,000 at the time of our interviews.

SUMMARY OF EFFECTS AND SITE VARIATIONS

Typically, earners removed from AFDC by OBRA experienced substantial real income losses 1-1/2 to 2 years after their loss of AFDC (median losses ranged from $109 to $189 in monthly income). Income losses were especially large for those who were unemployed at the time of our interviews. Many closed cases, particularly in the high-benefit sites (25 to 48 percent of the earner cases that lost AFDC), lost food stamps altogether when their AFDC benefits were terminated. They may have lost food stamps because of OBRA's changes to the Food Stamp Program (the imposition of a gross-income test of 130 percent of the poverty line and a redefinition of "household"). (Our data were insufficient for determining the individual reasons for specific cases.) In one locale, a district court found that improper administrative practices in redetermining food-stamp eligibility for closed AFDC cases caused the removal of some persons from the Food Stamp Program. Earners whose AFDC grants were reduced were generally compensated for about one third of their AFDC losses by an increase in food-stamp benefits.

Our conclusions about the subsequent income loss of reduced-grant cases are necessarily tentative because we lack information on fully 25 to 57 percent of the reduced-grant cases that were not receiving AFDC 1 year after the sample month. However, despite some compensatory gains in food-stamp benefits, and a slightly higher rate of food-stamp participation, the reduced-grant cases that were receiving AFDC 1 year later had substantial income losses (adjusted for inflation). Losses in income from earnings, AFDC, and food stamps combined were largest in the high-benefit sites (where initial AFDC losses were greater) and greatest for those not working at the time. Moreover, except for a highly increased rate of food-stamp participation in Milwaukee, we found very little compensatory use of other public-assistance and insurance programs by these cases.

On the average, cases that were closed lost income. The respondents who were employed when we interviewed them 1-1/2 to 2 years later were best able to minimize the loss. In contrast to the data on reduced-grant cases, the largest percentage income losses for the closed cases (from earnings, AFDC, and food stamps) happened in the low-benefit sites, and the largest median income dollar loss occurred in Dallas. This was true even though in the high-benefit sites the simultaneous loss of AFDC and food stamps was more frequent and initial AFDC losses were greater. One reason for this is that many more respondents were unemployed at the time of the interview in the low-benefit sites than in the high-benefit sites. Another reason is that respondents in the low-benefit sites had had less income before OBRA, on the average.

Furthermore, households in the low-benefit sites were much more likely to be below the poverty line at the time we interviewed them than households in the high-benefit sites. Indeed, income for the majority of the households in the low-benefit sites was less than 75 percent of the poverty line (compared to, at most, one fourth in the high-benefit sites). Additionally, the annualized income of 9 to 17 percent of households in the high-benefit sites was more than $15,000 (compared to 3 to 7 percent in the low-benefit sites).

CHAPTER 5

HOW FAMILIES COPED WITH THE LOSS OF AFDC INCOME

In response to the committee's questions about the changes in work effort and household composition of families removed from the AFDC program and the subcommittee's questions about their job types and child-care arrangements, we report our analyses of how people whom OBRA terminated from AFDC in our five sites adapted to, or coped with, the loss of benefits. Families who lost AFDC used several means of coping with income loss, whether by increasing income or other economic resources or by changing expenditure patterns, but most families used no more than one or two. Although up to one third of the cases that lost AFDC in our five sites were unemployed 1-1/2 to 2 years later, 38 to 70 percent of those who were employed increased their real earnings during this period. Since most of them had been employed full-time when they lost AFDC, most of the increases were the result of changes in wage rates rather than in work effort. Participation in AFDC and the Food Stamp Program did not return to its previous levels. Some families continued to receive support from other federal and state assistance programs, but few turned to new participation in these programs. Few were receiving child-support payments. A mother's living alone with her children was the most frequent arrangement both before and after the loss of AFDC, but 5 to 20 percent of the families added an adult with income to their household after losing AFDC. Child-care arrangements changed somewhat after the loss of AFDC, particularly since the children were older and, therefore, more frequently able to take advantage of school as their primary source of care.

The findings we present here from our interviews with families who lost AFDC are subject to the errors of recall and bias we discussed in chapter 4. However, where interview information could be compared with the information in the case records--on, for example, the receipt of AFDC--we found that the data were in close agreement. Aggregated across sites, the case records and interview responses were in 96-percent agreement on whether these families were receiving AFDC exactly 13 months after the OBRA changes took effect.

Additionally, the changes described here cannot be directly attributed to OBRA's changes to the AFDC program. OBRA was not the only change during this period, and we have little comparable information on similar families who did not lose AFDC benefits. Nor can we say that the changes that took place necessarily reflect purposive acts that our respondents took to cope with the loss of AFDC. Some of the ways of coping explored here are actions, such as reducing assets; others are conditions, some of which a person has little control over, such as a change in wage rates at one place of employment.

Moreover, some of the ways of coping that we examined are not inarguably positive. Acquiring access to government assistance can be considered a sign of both resourcefulness and demonstrable need. We combine these dissimilar topics in order to provide a comprehensive picture, for the welfare policy debate, of the circumstances of and the resources available to families terminated from AFDC in our five sites. A comprehensive picture should be useful in that it characterizes along various dimensions the experiences of people who had been earning an income when they were removed from AFDC.

EMPLOYMENT AND EARNINGS

Whether workers who were terminated from AFDC did or did not maintain their employment and increase their earnings was the major determinant of their ability to minimize the effect of the loss of income from AFDC and food stamps. In this section, we describe the job types, continuity of employment and hours worked, and earnings of terminees who were working before losing AFDC and for terminees who were working when we interviewed them. We also examine the reasons for changes in real earnings among those who reported them. (Our analysis of differences between terminees who did and did not experience extended periods of unemployment is in chapter 6.)

Some of this discussion overlaps the results we presented in Initial Analyses. In that report, we showed that among the employed at both times, people were working on the average more hours each week when we interviewed them than they had been prior to the loss of AFDC. Average real hourly earnings increased, as did average real monthly earnings. In response to comments we received about that report, we have introduced medians for much of the information that we provided earlier as averages. We also report several entirely new analyses that help explain the changes we observed in employment and earnings.

Job types

In response to the information provided in Initial Analyses, the subcommittee asked us for more detailed information on the types of jobs AFDC participants had when they lost AFDC and when we interviewed them. The jobs our respondents held before they lost AFDC varied substantially from site to site but changed little within each site between the loss and the interview. In Boston, almost half of the respondents held clerical jobs; jobs in health and food services were held by nearly one fifth. A miscellaneous "other" category included another 16 percent of respondents. Respondents in Milwaukee were also largely clerical workers (43 percent); machine operators (13 percent) and cleaning workers (10 percent) made up the next largest groups. In Syracuse, respondents were more evenly divided: clerical (26 percent), health service (18 percent), machine operation (17 percent), food service (13 percent), and cleaning (11 percent). In Dallas, 21 percent were clerical workers; 11 percent were in

Table 21

Percentage of Earners Employed in Seven Job Types 1 Month Before They Lost AFDC and After, in the Month of Our Interview, by Site

Job type	Boston		Dallas		Memphis		Milwaukee		Syracuse	
	Before	After	Before	After	Before	After	Before	After	Before	After
	(n=119)	(n=104)	(n=115)	(n=88)	(n=110)	(n=72)	(n=117)	(n=94)	(n=136)	(n=118)
Clerical	47.0	47.1	20.9	21.6	9.1	9.7	42.7	43.6	25.7	29.7
Operative[a]	5.0	4.8	7.0	8.0	2.7	2.8	12.8	9.6	16.9	14.4
Cleaning	6.7	6.7	20.0	17.0	14.5	12.5	10.3	9.6	11.0	11.0
Food service	8.4	7.7	17.4	19.3	27.3	26.4	6.0	7.4	13.2	10.2
Health service	10.9	9.6	5.2	5.7	6.4	5.6	8.5	7.4	18.4	19.5
Personal service	1.7	1.9	13.9	17.0	18.2	19.4	4.3	[illegible]	0.7	1.7
Sales	4.2	4.8	11.3	6.8	10.9	6.9	6.0	7.4	4.4	3.4
Other	16.0	17.3	4.3	4.5	10.9	16.7	9.4	[illegible]	9.6	10.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	[illegible]	100.0	100.0

[a] Machine operators, truck drivers, and others.

sales; most of the remainder were in service jobs (including 20 percent in cleaning). Respondents in Memphis held the lowest percentage of clerical jobs and the highest percentage of personal service and food service jobs (27 percent in food service alone); 11 percent were in sales and the miscellaneous category included another 11 percent. (See table 21.)

Continuity of employment and changes in hours worked

Roughly two thirds or more of the respondents were employed at the time of the interview (see table 22). Most of the employed respondents were working the same number of hours as when they were terminated from AFDC; only 11 to 18 percent of the respondents had increased their work week by more than 2 hours. One reason for this is that most respondents, except in Memphis, had already been working full-time. In Memphis, where the median number of weekly hours had been less than 40, there was a small increase among employed respondents in the median number of hours they worked. Very few respondents worked at more than one job. Everywhere but Dallas, 76 to 89 percent of the respondents had the same employer they had had when they lost AFDC; in Dallas, 60 percent had the same employer.

In Initial Analyses, we reported that the average number of weekly hours that our respondents had been working before OBRA ranged from 28 in Memphis to 38 in Milwaukee. It should be noted

Table 22

Earners' Employment Characteristics 1 Month Before They Lost AFDC and After, at the Time of Our Interview, by Site

Characteristic	Boston	Dallas	Memphis	Milwaukee	Syracuse
Changed work hours	(n=120)	(n=128)	(n=119)	(n=122)	(n=140)
Increased	17.5%	12.5%	10.9%	12.3%	16.4%
Decreased	5.0	8.6	5.0	5.7	5.7
Stopped	12.5	25.0	35.3	19.7	13.6
Started	0	3.9	0.8	0.8	1.4
No change (± 2)	65.0	43.8	45.4	58.2	61.4
Not working	0	6.3	2.5	3.3	1.4
	100.0%	100.0%	100.0%	100.0%	100.0%
Worked before loss	100.0%	89.8%	96.6%	95.9%	97.1%
	(n=120)	(n=115)	(n=115)	(n=117)	(n=136)
Median hrs/wk	37	40	28	40	40
40+ hrs/wk	3.3%	6.1%	1.7%	6.0%	8.8%
1+ jobs	1.7	2.6	2.6	0.9	2.2
Worked after loss	87.5%	68.8%	62.2%	77.0%	85.0%
	(n=105)	(n=88)	(n=74)	(n=94)	(n=119)
Median hrs/wk	38	40	31	40	40
40+ hrs/wk	7.6%	8.0%	5.4%	12.8%	17.6%
1+ jobs	4.8	2.3	0	4.3	5.9
With same employer	79.0	60.2	75.7	85.1	89.1

that the average number of weekly hours that all private employees worked in September 1981 was 35.[1] In other words, in all our sites except Memphis, where job types and earnings (discussed below) varied notably from those of other sites, the employed respondents were working, on the average, as many hours as workers in the general population.

Earnings

Median hourly and monthly real earnings (adjusted for inflation) are shown in table 23 for workers in our study before their termination from AFDC and at the time of our interview. Median hourly earnings tended to be low at both times in Dallas and Memphis, and at the time of our interview, 24 percent in Dallas and 44 percent in Memphis were working for less than the minimum wage. In Boston, Milwaukee, and Syracuse, fewer (7 to 17 percent) were working for less than minimum wages. For those working at both points in time, we looked at increases in real monthly earnings of more than $25 and found they ranged from 38 percent of the respondents in Memphis to 70 percent in Syracuse.

Table 23

Earners' Earnings Characteristics 1 Month Before They Lost AFDC and After, in the Month of Our Interview, by Site[a]

Characteristic	Boston	Dallas	Memphis	Milwaukee	Syracuse
Earnings before	(n=112)	(n=113)	(n=109)	(n=114)	(n=131)
Median wage/hr	$4.53	$3.65	$3.40	$4.68	$3.89
Received less than minimum wage	17.0%	31.0%	46.8%	7.0%	16.8%
Median earnings/month	$688	$550	$431	$762	$622
Earnings after	(n=101)	(n=84)	(n=73)	(n=94)	(n=119)
Median wage/hr	$5.37	$3.91	$3.61	$5.06	$4.45
Received less than minimum wage	3.0%	23.8%	43.8%	5.3%	8.4%
Median earnings/month	$866	$574	$468	$882	$726
Change in earnings[b]	(n=96)	(n=79)	(n=68)	(n=90)	(n=112)
Increased	67.7%	50.6%	38.2%	55.6%	70.5%
Decreased	21.9	29.1	27.9	32.2	10.7
No change (± $25)	10.4	20.3	33.8	12.2	18.8

[a] Wages and earnings in September 1981 dollars adjusted against the local consumer price index.

[b] For those working both before and after.

---

[1] Bureau of Labor Statistics, Employment and Earnings (Washington, D.C.: October 1982), p. 99.

In the five sites, between 57 and 81 percent of the AFDC terminees who increased their real monthly earnings more than $25 did so without increasing the weekly number of hours they worked more than 2 (see table 24). Few increased their earnings simply by working more hours, except in Memphis, where the median number of hours had been 28 before OBRA terminated workers from AFDC. Additionally, some persons changed employers or worked at more than one job as a means of increasing their earnings.

The finding that an increase in adjusted hourly earnings was the most important factor in increasing overall monthly earnings is interesting because, without changing jobs, employees can generally exert only limited control over hourly earnings, such as by receiving awards for meritorious service and making gains in seniority. Several factors could explain the increases in earnings that exceeded our adjustment for inflation. (1) Because of their low wages, low-income workers may have received larger percentage increases if employers gave cost-of-living increases. (2) Employers may have increased the wages they paid in the knowledge of, and in compensation for, the AFDC losses. (3) The respondents may have been promoted within the broad job categories that we used. (4) These respondents may have provided underestimates when recalling the wages they had been earning at the time they lost AFDC.

Table 24

Percentage Change in Employment and Wages for Earners Who Lost AFDC but Had Increased Real Earnings at the Time of Our Interview by Site[a]

Status	Boston	Dallas	Memphis	Milwaukee	Syracuse
Worked month of interview	(n=65)	(n=44)	(n=27)	(n=51)	(n=80)
40+ hrs/wk	10.8	9.1	11.1	17.6	25.0
1+ jobs	3.1	4.5	0	3.9	7.5
With same employer	78.1	62.5	60.9	81.6	92.4
Change					
Increased[b]					
Hours and wage	20.0	18.9	9.5	9.3	15.8
Hours but not wage	5.0	10.8	33.3	9.3	11.8
Wage but not hours	71.7	64.9	52.4	76.7	65.8
No change	3.3	5.4	4.8	4.7	6.6

[a] Monthly earnings increased by more than $25, after adjustment for inflation.

[b] Wage rate increased by more than $0.25 and hours increased by more than 2.

Since we have only sketchy information on actual duties performed and no information on employers' intentions, we are unable to rule out any of these explanations. However, as we noted in

Table 25

Average Hourly Wage for Earners 1 Month Before They Lost AFDC and After, in the Month of Our Interview, by Site, and for Workers in the National Labor Force[a]

Average hourly wage	Boston	Dallas	Memphis	Milwaukee	Syracuse	National[b]
Before	$4.65	$3.96	$4.26	$4.90	$4.20	$7.40
After	5.78	4.62	4.54	5.72	4.98	8.12
Increase	$1.13	$0.66	$0.28	$0.82	$0.78	$0.72
	24%	17%	7%	17%	19%	10%

[a] Unadjusted for inflation for AFDC earners working both before and after their AFDC loss.

[b] Unadjusted average hourly earnings for all production and non-supervisory workers on private nonagricultural payrolls in September 1981 and September 1983.

chapter 4, monthly earnings reported in the interview tended to be slightly higher, in the aggregate, than those recorded in the case records for the month before OBRA. Thus, the first explanation--that low-income workers may have received greater percentage increases than the average wage earner--merits consideration. Although the percentage increases are greater than might have been expected nationally during the period, the absolute increases in average hourly earnings clustered around the national average (see table 25).

Absolute increases in actual average hourly earnings were noticeably larger than those observed nationally during this period only in Boston. Memphis was once again the exception in that the increase there was substantially less than the national average. Memphis was also the exception to the fact that elsewhere the relative increases were noticeably greater than the national average. They were greater partly because the average hourly earnings of our employed respondents were substantially lower than the national average. Therefore, the same absolute increase represents a larger percentage increase for our respondents. Thus, only in Boston do the increases in actual average wages appear to have resulted from sources other than general wage increases over this period.

CHANGES IN UNEARNED INCOME

Families who lost AFDC used several means besides employment to generate income and other economic resources. Looking at public sources of income and assistance in addition to AFDC in all five sites, we found that 44 to 82 percent of the families who lost AFDC were enrolled in at least one other program--commonly food stamps (18 to 78 percent). Few received child-support payments, so that although the amounts that were received from this source were substantial, it was not a major resource for the group as a whole. Most of the cases terminated from AFDC did not add a wage-earner to the household; a mother living alone with her children was the most frequent arrangement, both before the loss of AFDC and at the interview. Few AFDC terminees liquidated their assets to increase their cash supply, except in the high-benefit sites, where many depleted their savings accounts. Finally, few returned to AFDC.

The receipt of AFDC, food stamps, and other assistance

Persons who lost their AFDC grants could partly compensate for the loss by enrolling or maintaining enrollment in other programs or by returning to AFDC. As we noted above, they received less compensation from other assistance programs. In every site, their participation was lower in AFDC and food stamps 1-1/2 to 2 years after OBRA removed them from AFDC (see table 26). Participation in subsidized housing programs remained at roughly the same level.

Public assistance, child-support payments, savings, such social insurance programs as benefits for veterans, and income from new household members might all be thought of as various income sources other than earnings. However, for AFDC terminees as a group, we found that few used any of these other than to participate in the Food Stamp Program and public or subsidized housing. Only 7 to 27 percent of the respondents were receiving AFDC benefits at the time of our interview. These figures are very close to those we found for our full case-record samples of

Table 26

Percentage of Earners Receiving Public Assistance 1 Month Before They Lost AFDC and After, at the Time of Our Interview, by Site

Assistance	Boston	Dallas	Memphis	Milwaukee	Syracuse
AFDC					
After	8.3	18.5	20.8	27.0	7.1
Food stamps					
Before	50.8	90.6	96.7	42.6	79.3
After	18.3	55.5	78.3	34.4	37.1
Women, Infants, and Children					
Before	11.7	6.3	2.5	2.5	7.1
After	5.8	3.9	3.3	4.1	3.6
Public housing or housing subsidy					
Before	60.8	44.5	48.3	15.6	32.9
After	55.8	43.8	48.3	12.3	30.0

OBRA earner terminees: 8 to 19 percent of them were receiving AFDC 12 to 22 months after their termination. Participation in the Food Stamp Program was second to enrollment in AFDC before the termination but declined 8 to 18 percentage points in Milwaukee and Memphis and 32 to 42 points in Boston, Dallas, and Syracuse. We do not have sufficient information to determine eligibility for food stamps, nor do we have information on why families did not apply for assistance.

The percentage reporting income from Social Security, the Supplemental Security Income program, Unemployment Insurance, benefits for veterans, and other public assistance besides AFDC was negligible (see table 27). When food stamps, WIC (the Supplemental Food Program for Women, Infants, and Children), and public housing or government housing subsidies were added to these unearned-income sources, many more terminees reported participating in at least one of these public programs, primarily because of the relatively high food-stamp participation. Eighteen percent in Memphis and 27 percent in Dallas did not receive benefits from any of these eight public programs; in Boston, Milwaukee, and Syracuse, 40 to 56 percent received no benefits from them.

Table 27

Percentage of Earners Receiving Income Insurance and Other Public Assistance After They Lost AFDC (at the Time of Our Interview) by Site

Assistance	Boston	Dallas	Memphis	Milwaukee	Syracuse
Insurance					
Social Security	0	0.8	2.5	0.8	0
Supplemental Security Income	0	0.8	1.7	0	0.7
State and county programs (not AFDC)	0	0	0	1.6	2.1
Veteran's Benefits	0.8	0	0	0	0.7
Unemployment Insurance	4.2	3.9	1.7	3.3	2.9
Only 1 of these 5	5.0	5.5	4.2	5.7	6.4
None of these 5	95.0	94.5	95.0	94.3	93.6
Other					
Food stamps	18.3	55.5	78.3	34.4	37.1
Public housing or housing subsidy	55.8	43.8	48.3	12.3	30.0
Women, Infants, and Children	5.8	3.9	3.3	4.1	3.6
Only 1 of these 8	41.7	39.1	34.2	32.8	34.3
Received no benefits	40.0	27.3	17.5	55.7	45.0

Reasons for returning to AFDC

When we asked the few (13 to 32 percent) who returned to AFDC at any time since their loss why they did, most (62 to 85 percent in four sites) explained their return in relation to their employment, except in Milwaukee, where 62 percent gave other reasons (see table 28). Being laid off from work was the most common reason for enrolling again in Memphis (44 percent) and ranked relatively high in the four other sites as well (19 to 27 percent). Others in Memphis said they returned because they had been fired (15 percent), as did some in Syracuse (12 percent) and in the other sites (up to 6 percent). The other reasons we were given for a return to AFDC were mainly quitting employment for pregnancy (8 to 17 percent in four sites), for child care (3 to 19 percent in all five sites), and for health (3 to 19 percent in all five sites). Conclusions drawn from this analysis should be tentative, given the small sample sizes.

Table 28

Respondents' Reasons for Returning to AFDC
After Their Cases Were Closed by Site[a]

Reason	Boston	Dallas	Memphis	Milwaukee	Syracuse
Work	(n=16)	(n=30)	(n=34)	(n=39)	(n=16)
Laid off	25%	27%	44%	20%	19%
Quit job					
Pregnancy or birth	12	17	15	8	0
Child-care problem	6	13	3	3	19
Illness	19	3	9	3	12
Low pay	0	10	0	0	0
Could not afford to work because of AFDC reductions	6	0	0	5	0
Total	44	43	26	18	31
Fired					
Child-care problems	0	3	3	0	0
Other	6	0	12	0	12
Total	6	3	15	0	12
Child became ill	0	0	0	3	0
Other	25	27	15	59	38

[a]Percentages may not add because of rounding.

Examining the correlates of why some who had been employed before OBRA returned to AFDC and others did not, we found no strong and consistent predictors besides employment. The race, age, and marital status of earners terminated from AFDC had a statistically significant association with a return to AFDC only in Dallas, not in Memphis, Milwaukee, or Syracuse (data on marital status were unavailable for Boston). Prior AFDC enrollment was significantly related to returns only in Boston and the length of the most recent period of participation was not significant in any of the sites.

Although across the sites more than two thirds of the respondents who returned to AFDC were unemployed when they returned, about one third of those who experienced unemployment in four sites returned to AFDC before regaining employment.

Table 29

Percentage of Earners Who Lost AFDC and Returned One or More Times by Site and Employment Status at Time of Return

Case	Boston	Dallas	Memphis	Milwaukee	Syracuse
Returned	13.3	23.4	28.3	32.0	11.4
Status at time of return[a]	(n=16)	(n=30)	(n=34)	(n=39)	(n=16)
Employed	25	13	24	33	12
Unemployed	75	87	76	67	88

[a] First return to AFDC if case returned more than once between termination from AFDC and interview.

Table 30

Episodes of Unemployment Among Earners Who Lost AFDC and How They Resolved Them by Site

Episode	Boston	Dallas	Memphis	Milwaukee	Syracuse
Unemployed at any time	30.8%	56.2%	49.2%	33.6%	28.6%
Resolution of unemployment[a]	(n=37)	(n=72)	(n=59)	(n=41)	(n=40)
Remained in AFDC	5%	3%	8%	15%	2%
Returned to AFDC	32	36	36	56	35
Rehired	51	49	29	22	40
Still unemployed at interview	11	12	27	7	22
No. of months (median)					
Before returning to AFDC	<1 (n=12)	2 (n=26)	1 (n=21)	1 (n=23)	<1 (n=14)
Before being rehired	3 (n=19)	2 (n=35)	3 (n=17)	3 (n=9)	2 (n=16)

[a] First episode of unemployment if case unemployed more than once between termination from AFDC and interview.

Approximately half returned in Milwaukee. The proportions of respondents returning to AFDC who were unemployed when they returned ranged from 67 percent in Milwaukee to 87 and 88 percent in Dallas and Syracuse (see table 29). However, the respondents in Milwaukee who became unemployed after OBRA were more likely to return to AFDC than the respondents elsewhere (see table 30). Furthermore, since 15 percent of those who became unemployed in Milwaukee were already receiving AFDC at that time, more than 70 percent in total were receiving AFDC after becoming unemployed. In Boston and Dallas, half of those who became unemployed after OBRA eventually found new jobs; in Memphis and Syracuse, relatively more remained unemployed.

Except in Dallas, most of the AFDC terminees who reacted to unemployment by going back to AFDC did so rapidly. Indeed, in Boston and Syracuse, the majority of those who returned to AFDC did so within a month of when they lost their jobs. In all the sites, most of those who were able to find employment again did so within 2 or 3 months. We do not know how those families coped who, at the time of the interview, were neither employed nor in AFDC. They may have been receiving income from some other source, including other members of the household.

Child support as a resource

Although child-support payments were a potential resource at the time of our interview for 29 to 61 percent of the earners terminated from AFDC, only 12 to 29 percent reported receiving any payment over a 3-month period (see table 31). More than half of those for whom it was a resource received the full amount that

Table 31

Child-Support Claims That Earners Who Lost AFDC Established and Received Monthly at the Time of Our Interview by Site

Claims and receipt	Boston	Dallas	Memphis	Milwaukee	Syracuse
Claims established					
New	6%	5%	9%	5%	2%
Total	37	29	48	61	50
Average amount	$131	$145	$105	$171	$120
Support received					
% of sample	12%	12%	29%	21%	24%
% of those supposed to receive support	(n=44) 32%	(n=37) 40%	(n=58) 60%	(n=74) 34%	(n=70) 49%
Average amount	$117	$146	$74	$118	$97
% of claim actually received					
Average	86%	84%	88%	78%	88%
More than 0 but less than 50	8	21	15	30	12
50 to 99	31	14	7	15	15
100	62	57	78	35	67
More than 100[a]	0	7	0	20	6

[a] Some cases reported receiving more than the amount they were due. Percentages may not add to 100 because of rounding.

was due them. Between 8 and 30 percent received less than half. Forty to 68 percent of the terminees who had established claims for support payments received nothing during a 3-month period. Moreover, few established new child-support claims after losing AFDC (2 to 9 percent).

Between 29 and 61 percent of the terminees reported that child-support payments were due them, in average monthly amounts ranging from $105 in Memphis to $171 in Milwaukee. Between 32 and 60 percent of these terminees received some support payment in at least 1 of 3 months before our interview, the average monthly amounts ranging from $74 in Memphis to $146 in Dallas.

We can put these data into perspective by looking at a Bureau of the Census study that indicated that about 30 percent of the women who were not living with their children's fathers and had income below the poverty line were supposed to receive child-support payments in 1981.[2] In that study, about 62 percent of the women who were owed child support received some payment during the preceding year. In comparison, more of our respondents indicated that they were owed child-support payments, and fewer reported actually receiving them. The differences between the census data and ours could reflect the different time periods for receipt, changing trends in child support between 1981 and 1983, or some other differences between women in the census sample and the women we interviewed.

Household composition and change

Table 32 presents the various compositions of the households in which the OBRA terminees were living when they lost AFDC and when we interviewed them. Most respondents (67 to 84 percent) had been living alone with their children, and more had been doing so in the high-benefit than in the low-benefit sites. By the time of the interview, however, these numbers had substantially decreased everywhere except in Boston. In Dallas, Milwaukee, and Syracuse, single parents in increasing numbers began living with their children and a spouse or a roommate. In Memphis, the number of households with relatives other than a spouse or parents increased notably.

Many households (45 to 62 percent) did not change composition. Of those who did, more added members than lost them. Many of the changes had the potential for reducing expenses or increasing available income, although in most cases we cannot determine what actually occurred. For example, in a number of households, children moved out between termination from AFDC and the interview. Logically, one would expect this to reduce expenses. Similarly, households who took in additional children

---

[2] Bureau of the Census, Child Support and Alimony 1981 (Washington, D.C.: May 1983), p. 6.

Table 32

The Household Composition of Earners 1 Month Before They Lost APDC and After, at the Time of Our Interview, by Site

	Boston		Dallas		Memphis		Milwaukee		Syracuse	
Household members	Before	After	Before	After	Before	After	Before	After	Before	After
Recipient and children	82.5%	81.7%	67.2%	50.0%	70.0%	59.2%	82.0%	68.0%	83.6%	67.8%
Recipient, children, and others										
Grandchildren	3.3	3.3	7.0	9.4	2.5	7.5	2.4	4.1	2.1	2.8
Spouse	0	3.3	1.6	7.8	1.7	3.3	3.3	11.5	4.3	6.4
Parent or parents	2.5	0.8	10.2	10.2	4.2	3.3	3.3	4.1	2.1	3.6
Roommate or friend[a]	2.5	2.5	1.6	5.5	0.8	3.3	0.8	3.3	3.6	11.4
Other relatives[b]	1.7	2.5	4.7	6.2	8.3	12.5	3.3	4.1	2.8	3.6
Other combinations	7.5	5.8	7.8	10.9	12.5	10.8	4.9	4.9	1.4	4.3

[a] Includes boarders.

[b] Excludes grandchildren, spouse, and parents.

Table 33

Changes in the Household Composition of Earners Between Losing AFDC and the Time of Our Interview by Site

Change[a]	Boston	Dallas	Memphis	Milwaukee	Syracuse
No change	62.5%	45.3%	50.8%	60.7%	55.7%
Married	2.5	7.0	3.3	6.6	5.7
Added					
Children, stepchildren, or grandchildren	10.0	21.1	18.3	16.4	10.0
Spouse	3.3	8.6	3.3	7.4	4.3
Parents or grandparents	0.8	3.9	1.7	1.6	2.1
Roommates or friends	0	7.0	0.8	1.6	10.0
Other adult relatives	0	4.7	3.3	0.8	2.1
Adults with income[b]	5.0	20.3	10.0	12.3	17.9
Lost					
Children, stepchildren, or grandchildren[c]					
All ages	13.3	10.9	8.3	13.1	15.0
Over 18	10.8	7.8	6.7	12.3	10.7
Spouse	0	0.8	0.8	0	0.7
Roommates or friends	1.7	1.6	0.8	0	3.6
Other adult relatives	0.8	1.6	0.8	1.6	0

[a] Categories are not mutually exclusive.
[b] Excludes boarders.
[c] At the time of our interview.

would be expected to have higher expenses. What we do know is that 5 to 20 percent of the households took in new adults with income. (See table 33.) We do not have comparable information on household changes other low-income families made during this period and, thus, we cannot judge whether these changes were unusual. Nor do we know what factors other than the loss of AFDC may have influenced these families to make these changes.

Ways of obtaining cash

Table 34 presents information from our initial report on the number of respondents who both could and did obtain cash after being terminated from AFDC. It also shows the average amounts of cash obtained by savings withdrawals and loans. Our data do not allow us to distinguish between not being able and choosing not to use a particular way of obtaining cash. For example, we have information on whether money was withdrawn from savings, but we do not know how many of our respondents had savings accounts.

Of the seven specific ways of obtaining cash that are given in table 34, the only one used by a relatively large number of respondents was withdrawing money from savings, and it was reported frequently in only the high-benefit sites. Most (59 to 81 percent) in Dallas, Memphis, and Syracuse had not used any of

Table 34

Methods Earners Used to Obtain Cash After They Lost AFDC by Site

Type and number of methods	Boston	Dallas	Memphis	Milwaukee	Syracuse
Type					
Depleted savings	55.0%	10.2%	6.7%	52.5%	26.4%
Average amount	$473	$386	$280	$511	$430
Sold a car and did not buy a better one	1.7%	13.3%	1.7%	8.2%	7.1%
Pawned or sold belongings	15.8	18.8	7.5	13.9	10.7
Borrowed on a life insurance policy	6.7	3.1	1.7	4.9	0.7
Cashed a life insurance policy	7.5	5.5	2.5	5.7	2.1
Acquired a financial loan	22.5%	10.2%	10.8%	25.4%	17.1%
Average amount	$1,252	$633	$529	$1,876	$1,805
Other	10.8%	13.3%	12.5%	18.9%	20.3%
Number					
0	35.8%	66.4%	80.8%	32.0%	59.3%
1	41.7	25.0	15.0	45.1	27.9
2	16.7	8.6	4.2	18.0	12.9
3 or more	5.8	0	0	4.9	0

these approaches. Between 52 and 55 percent of the respondents in Boston and Milwaukee withdrew money from savings accounts, compared to 7 percent in Memphis, 10 percent in Dallas, and 26 percent in Syracuse. The average amounts tended to be small ($280 to $511). Additionally, between 10 and 25 percent of the respondents were able to obtain loans, and the average amounts tended to be sizable ($529 to $1,876).

CHANGES IN LIVING ARRANGEMENTS AND EXPENDITURES

The means of coping with the loss of AFDC income besides increasing earned and unearned income included reducing expenditures and changing one's living arrangements. Most of the earners who were terminated from AFDC did not move to cheaper housing. Indeed, most did not move at all, and on the average they had slightly higher housing expenses at the time of our interview. Child-care arrangements also had not changed much by the time of the interview, and many did not pay for child care at either time. Most of those who did paid no more for child care at the time of the interview than they had before losing AFDC.

Housing

Most of the people terminated from AFDC lived in rental housing both before termination from AFDC and at the time of the interview. The proportion of respondents receiving housing assistance varied widely across sites but did not change substantially across time. (See table 35.) Public housing was the

Table 35

Percentage of Earners Paying for Housing and Their Monthly Payments Before They Lost AFDC and After, at the Time of Our Interview, by Site[a]

Housing	Boston		Dallas		Memphis		Milwaukee		Syracuse	
Public housing										
Before	37.3%	$141	37.0%	$ 93	46.7%	$ 72	9.0%	$191	21.0%	$133
After	31.0	178	35.5	126	46.2	70	7.4	214	20.3	146
Rent										
Subsidized										
Before	24.6	122	7.9	59	1.7	42	6.6	143	12.3	112
After	25.0	191	8.9	82	2.5	96	4.9	168	10.1	117
Nonsubsidized										
Before	28.8	205	33.1	183	40.0	127	69.7	205	60.1	189
After	37.1	227	31.4	239	42.0	141	70.5	235	58.7	214
Mortgage										
Before	2.5	214	5.5	144	3.3	282	11.5	196	4.3	155
After	3.4	310	5.6	220	3.4	260	13.9	245	4.3	174
Other										
Before	6.8	112	16.5	21	8.3	46	3.3	110	2.2	110
After	3.4	75	18.5	13	5.9	38	3.3	51	6.5	143

[a] Percentages may not add to 100 because of rounding.

Table 36

Earners' Changes in Residence After They Lost AFDC by Site[a]

Change	Boston	Dallas	Memphis	Milwaukee	Syracuse
Moved					
Composition change	15.8%	30.5%	19.2%	22.1%	21.4%
No change	15.0	15.6	15.8	25.4	17.9
Total	30.8%	46.1%	35.0%	47.5%	39.3%
Did not move					
Composition change	21.7%	24.2%	30.0%	17.2%	22.8%
No change	47.5	29.7	35.0	35.2	37.8
Total	69.2%	53.9%	65.0%	52.5%	60.7%
Number of moves	(n=37)	(n=60)	(n=42)	(n=58)	(n=55)
1	87%	64%	81%	66%	66%
2	8	22	14	28	22
3+	5	14	5	7	13
Reason for 1st move					
Saved money	8	25	29	31	41
Evicted	5	8	10	7	6
Housing bigger, better, or both	41	19	29	28	22
Unspecified other	46	47	29	31	30
Housing quality					
Much better	57	34	32	43	45
Somewhat better	24	24	37	26	18
About the same	11	24	27	24	24
Somewhat worse	8	10	5	5	7
Much worse	0	8	0	2	5

[a] Percentages may not add to 100 because of rounding.

primary type of residence in Boston, Dallas, and Memphis. In all the sites except Boston, few respondents were receiving rent subsidies. Across all five sites, between 12 and 62 percent were in public housing or were receiving rent subsidies at either time. In general, the unadjusted cost of housing increased, but we found no clear differences between the high-benefit and low-benefit sites in the average amounts paid for rent.

The majority of the terminees did not move after losing AFDC. Most who did move did so only once, although in Dallas, Milwaukee, and Syracuse, a third of those moving moved at least twice (see table 36). For many of those who did move, saving money was not the main reason, except in Syracuse (41 percent). In Boston, many of the respondents who moved (41 percent) reported moving because they wanted a bigger or better place. The majority of those who moved felt that their present housing was about the same as or better than where they had lived before losing AFDC. Finally, the respondents who moved were also somewhat more likely to have changed household composition (47 to 66 percent) than those who did not move (31 to 46 percent).

BLANK

PAGE

Table 37

Earners' Child-Care Arrangements for Children Under 13 Years 1 Month Before They Lost AFDC and After, at the Time of Our Interview, by Site[a]

Arrangement	Boston Before	Boston After	Dallas Before	Dallas After	Memphis Before	Memphis After	Milwaukee Before	Milwaukee After	Syracuse Before	Syracuse After
	(n=85)	(n=85)	(n=142)	(n=142)	(n=117)	(n=117)	(n=87)	(n=88)	(n=135)	(n=135)
Day-care center	7.1%	4.7%	7.0%	4.2%	4.3%	2.6%	5.7%	2.3%	6.7%	3.0%
Sitter	14.1	7.1	12.0	7.0	13.7	6.8	12.6	6.8	10.4	7.4
Relative	8.2	3.5	18.3	14.1	9.4	6.8	8.0	6.8	3.7	5.9
School[b]	2.4	7.1	14.8	19.0	4.3	4.3	8.0	5.7	3.0	5.9
School and										
Day-care center	11.8	11.8	5.6	5.6	0.9	0.9	3.4	3.4	5.9	4.4
Sitter	14.1	9.4	1.4	4.2	8.5	19.7	17.2	15.9	28.9	19.3
Relative	12.9	16.5	12.0	16.2	25.6	23.9	26.4	31.8	16.3	19.3
Older sibling	9.4	14.1	12.0	14.8	12.8	14.5	8.0	9.1	8.1	17.0
Other	5.9	4.7	3.5	2.8	5.1	6.0	3.4	3.4	4.4	2.2
No supervision	7.1	18.8	7.7	9.9	3.4	3.4	2.3	11.4	7.4	14.8
Other	7.1	2.4	5.6	2.1	12.0	11.1	4.6	3.4	5.2	0.7

[a] Percentages may not add to 100 because of rounding.
[b] Includes preschool.

Child care

Child-care arrangements changed somewhat between termination from AFDC and the interview for the children younger than 13 whose mothers had been and were working. Most of the children whose parents we interviewed were 6 years old or older. Before termination, more than half had been in school; more than two thirds were in school at the time of the interviews. Consequently, arrangements outside school were a less frequent source of primary care at the time of the interview. For children not in school, the distribution between day-care centers, sitters, relatives, and other caretakers differed after OBRA from what it had been before; sitters generally provided the primary care before OBRA (see table 37).

School children were frequently taken care of outside school by relatives both before and after losing AFDC. Before the loss of AFDC, sitters were generally used more frequently in the high-benefit sites; older siblings were relied on in the low-benefit sites. This distinction had disappeared by the time of our interviews. Care by older siblings increased in Boston and Syracuse; care by sitters increased in Memphis. (Arrangements for children younger than 6 are described in table 60 in appendix IV.) Conclusions drawn from this analysis should be tentative, given the small sample sizes, especially in Boston and Milwaukee.

As we show in table 37, the percentage of children with no supervised care outside school increased significantly in Boston, Milwaukee, and Syracuse. In Dallas, many children had no other care arrangement besides school either before or after losing AFDC. We examined the ages of children and their mothers' employment status to see whether these figures indicated that more young children were being left unsupervised after OBRA than before. In Boston, Milwaukee, and Syracuse, between 11 and 19 percent of all children had no supervision outside school, compared to a range of 2 to 7 percent before the loss of AFDC (difference statistically significant at the .05 level). Most of these children (90 to 94 percent, on very small samples) were between 8 and 13. For the children in Dallas who had no other arrangement besides school (15 percent at termination, 19 percent at the interview), we found that the mothers of about half were working part-time. However, we do not know whether the respondents' work hours extended beyond the normal school day. In any case, we found no clear indication among our respondents that more very young children were being left unsupervised.

Generally, the respondents reported satisfaction with current child-care arrangements: the majority were either very satisfied or generally satisfied. The percentages of those who were generally or very dissatisfied were lower, ranging from 3 to 26 percent across the sites. (See table 38 on page 86.) Where child-care arrangements had changed between AFDC termination and the interview, relatively few respondents (14 to 23 percent)

Table 38

The Satisfaction of Earners Terminated From AFDC With Their Child-Care Arrangements at the Time of Our Interview by Site[a]

Level of satisfaction	Boston	Dallas	Memphis	Milwaukee	Syracuse
	(n=85)	(n=139)	(n=117)	(n=87)	(n=134)
Very satisfied	43.5%	56.1%	80.3%	47.1%	59.0%
Generally satisfied	23.5	33.1	14.5	25.3	23.1
Neither satisfied nor dissatisfied	7.1	6.5	1.7	17.2	7.5
Generally dissatisfied	17.6	2.9	1.7	6.9	8.2
Very dissatisfied	8.2	1.4	1.7	3.4	2.2

[a] For earners who were working when they lost AFDC and when we interviewed them. Percentages may not add to 100 because of rounding.

thought the new arrangements were worse. The remainder thought they were better than before (37 to 54 percent) or that there was not much difference (23 to 49 percent).

The most frequently reported reasons for changing child-care arrangements were the age of a child and the cost and location of care, although the rankings varied from site to site. The age of a child was the predominant reason specified in four sites and the second reason in the fifth site (see table 39). Cost was generally the second most important reason, followed by location. However, while cost was frequently given as a reason for changing arrangements, many cases both before AFDC termination and at the time of the interview either did not pay for child care or handled the expense by means of barter (see table 40). Where child care was paid for at both times, payments were generally either the same or less at the later point (unadjusted for inflation), and most were under the AFDC child-care-expense ceiling ($160 per child) at both times.

In Dallas and Memphis, child-care payments increased more frequently than they decreased, and the average payment increased slightly but not significantly. In Boston, Milwaukee, and Syracuse, payments decreased more frequently than they increased, and average payments also decreased. The expenses of only 7 children in our study exceeded AFDC's $160 ceiling at the time of the interviews, a number that was down from only 18 prior to OBRA.

Child-care problems were reported less frequently as a reason for leaving employment, or returning to AFDC, than they were reported as a reason for not seeking employment in all sites except Syracuse. (The data are in table 61 in appendix IV.) The numbers returning to AFDC ranged from 16 to 39 respondents in the five sites, and only 2 to 5 of them gave a child-care problem as a reason. Of those who had been unemployed at least once after OBRA, only 5 to 15 percent indicated a reason related to child

Table 39

Reasons Earners Changed Their Child-Care Arrangements After They Lost AFDC by Site

Reason[a]	Boston	Dallas	Memphis	Milwaukee	Syracuse
	(n=42)	(n=56)	(n=44)	(n=47)	(n=69)
Child's age	33%	39%	30%	30%	41%
Cost	17	25	14	34	28
Lost eligibility for free or subsidized care	5	5	2	6	13
Location	2	25	23	8	17
Dissatisfied with arrangements	2	2	14	4	1
No longer needed	7	7	0	13	6
Child-care program closed	0	5	0	0	0
Unspecified other	50	21	32	34	32

[a] Reasons are not mutually exclusive.

Table 40

Monthly Child-Care Costs for Earners Who Lost AFDC by Site[a]

Cost	Boston	Dallas	Memphis	Milwaukee	Syracuse
At case termination	(n=85)	(n=135)	(n=106)	(n=81)	(n=132)
Barter	1.2%	2.2%	20.8%	2.5%	2.3%
$0	41.2	57.8	29.2	39.5	40.2
Less than $160	50.6	38.5	50.0	50.6	54.5
More than $160	7.1	1.5	0	7.4	3.0
At interview	(n=85)	(n=140)	(n=108)	(n=83)	(n=135)
Barter	2.4%	1.4%	24.1%	3.6%	5.2%
$0	50.6	65.0	33.3	48.2	57.0
Less than $160	43.5	32.1	41.7	47.0	37.8
More than $160	3.5	1.4	0.9	1.2	0
For cases working both times	(n=85)	(n=134)	(n=106)	(n=76)	(n=132)
Barter or none at both times	34.1%	56.0%	46.2%	32.9%	37.9%
At termination only	18.8	13.4	11.3	22.4	25.0
At interview only	8.2	3.7	3.8	7.9	4.5
At both times	38.8	26.9	38.7	36.8	32.6
Average cost for respondents paying at both times	(n=33)	(n=36)	(n=41)	(n=28)	(n=43)
At termination	$99	$62	$53	$114	$67
At interview	90	69	56	74**	58
No change ±$5	45%	50%	46%	25%	51%
Decreased >$5	36	19	22	61	30
Increased >$5	18	31	32	14	19

[a] Percentages may not add to 100 because of rounding.

**Difference significant at the .01 level.

care. However, among those in each site who were neither employed full-time nor seeking employment at the time of the interview, 19 to 43 percent indicated that they had not sought work for some reason that was related to child care.

JOINT COPING ACTIONS

In this section, we investigate the ways in which cases terminated from AFDC by OBRA in our five sites combined the following eight ways of coping with the AFDC income they lost: increasing earnings, obtaining assistance from other programs, gaining child support, acquiring other sources of unearned income, adding adults with income to the household, depleting assets, and moving in order to save money. Some of these, including depleting assets and moving, involved a shift from prior circumstances. Others, including participation in other assistance programs, constituted either a continuation of a past practice or a change in a present situation. We have tried to distinguish between turning to new sources of support or new methods of coping and simply maintaining a prior arrangement.

The relationship of various coping actions to earnings change

Having found that many working respondents in all five sites increased their real monthly earned income by more than $25 after losing their AFDC benefits, we tried to find out whether other actions supplemented or substituted for increased earnings. The data show that returning to AFDC was primarily an alternative rather than a supplement to increasing earnings (see table 41). Not more than 10 percent of the respondents with higher real earnings in the five sites were receiving AFDC benefits when we interviewed them; 18 to 41 percent of those whose earnings had remained the same, decreased, or ceased had returned to AFDC. As expected, respondents with increased earnings were less likely to be back in the program (statistically significant in all five sites at the .05 level).

The majority of all the respondents were receiving support from food stamps, housing assistance, or energy assistance or some combination of these. (Since the use of energy is seasonal and we interviewed in various months, we considered assistance "current" in either the 1982-83 or 1983-84 heating season.) The rates of participation in these programs were higher for respondents who had not increased their earnings, but the differences were statistically significant only in the low-benefit sites. Food stamps constituted the main difference between respondents for whom real earnings went up and respondents for whom they did not. Respondents who had increased their earnings received food stamps at a much lower, and statistically significant, rate than respondents whose earnings had fallen or remained stable: 8 versus 33 percent in Boston, 36 versus 68 percent in Dallas, 56 versus 87 percent in Memphis, 16 versus 50 percent in Milwaukee,

Table 41

The Relationship Between the Participation in Assistance Programs of Earners Who Lost AFDC and Their Increase in Real Earnings by Site

Program participation	Real earnings increase[a]									
	Boston		Dallas		Memphis		Milwaukee		Syracuse	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	(n=65)	(n=45)	(n=44)	(n=79)	(n=27)	(n=86)	(n=51)	(n=68)	(n=80)	(n=55)
AFDC	2%	18%*	0%	30%*	0%	28%*	10%	41%*	0%	16%*
Food stamps	8	33*	36	68*	56	87*	16	50*	28	49*
Energy assistance[b]	18	16	25	27	19	29	45	46	22	33
Housing assistance	48	67	41	45	41	54	20	6*	32	27
Any of the above	66	75	57	80*	67	91*	63	72	55	62

[a] At time of interview, had (yes) or had not (no) increased monthly earnings by more than $25, after adjusting for inflation.
[b] For heating in either winter 1982-83 or 1983-84.

*Difference significant at the .05 level.

Table 42

The Relationship Between New Enrollment in Assistance Programs and Increase in Real Earnings for Earners Who Lost AFDC by Site

	Real earnings increase[a]									
	Boston		Dallas		Memphis		Milwaukee		Syracuse	
Program enrollment	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	(n=65)	(n=45)	(n=44)	(n=79)	(n=27)	(n=86)	(n=51)	(n=68)	(n=80)	(n=55)
Food stamps										
New	0%	11%	2%	4%	0%	2%	2%	21%	2%	4%
Before loss	51	53	93	89	96	96	37	47	80	78
Neither time	49	* 36	4	8	4	1	61	* 32	18	18
Energy assistance[b]										
New	14	13	14	18	18	21	28	28	8	11
Before loss	14	7	36	35	7	19	39	37	75	71
Neither time	72	80	50	47	74	60	33	35	18	18
Housing assistance										
New	3	7	4	10	4	7	4	0	4	7
Before loss	55	70	43	46	41	53	16	15	35	33
Neither time	42	23	52	43	56	40	80	85	62	59

[a] Between case termination and interview, had (yes) or had not (no) increased monthly earnings by more than $25, after adjusting for inflation. Percentages may not add to 100 because of rounding.

[b] For heating in either winter 1982-83 or 1983-84.

*Difference between distributions significant at the .05 level.

Table 43

The Relationship Between Coping Actions Unrelated to Earnings Taken by Earners Who Lost AFDC and Their Increase in Real Earnings by Site

	Real earnings increase[a]									
	Boston		Dallas		Memphis		Milwaukee		Syracuse	
Action	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
	(n=65)	(n=45)	(n=44)	(n=79)	(n=27)	(n=86)	(n=51)	(n=68)	(n=80)	(n=55)
Added adults with income to household	5%	2%	27%	16%	15%	9%	14%	12%	16%	20%
Moved to save money	3	2	9	14	11	10	18	16	15	20
Received other unearned income	5	18	11	8	0	7	10	16	6	20*
Depleted assets	72	64	45	37	15	28	76	65	42	49

[a] At time of interview, had (yes) or had not (no) increased monthly earnings by more than $25, after adjusting for inflation.

*Difference significant at the .05 level.

and 28 versus 49 percent in Syracuse. As for energy and housing assistance, we found only one statistically significant association between rates of program participation and change in real earnings. In Milwaukee, 20 percent of the respondents with earnings gains and 6 percent of those with reduced or stable earnings received housing assistance.

A somewhat different picture emerges from looking at shifts in participation in assistance programs. Overall, respondents who had participated only in AFDC and whose earnings had gone up after they lost AFDC were no more or less likely to participate in another assistance program. However, there were a few significant differences with respect to food stamps.

Participation in the Food Stamp Program generally dropped in each of the five sites, but cases without earnings increases in Boston and Milwaukee were significantly more likely than those with increases to have begun receiving food stamps (see table 42). Before OBRA, food-stamp participation rates had already been so high in Dallas and Memphis, and to a lesser extent in Syracuse, that the proportion of new recipients was quite small, regardless of changes in earnings. In Boston and Milwaukee, however, 11 and 21 percent of the respondents whose real earnings had not risen joined the Food Stamp Program after being terminated from AFDC, a significantly higher rate (at the .05 level) than the one for respondents whose earnings increased. Nonetheless, even among the terminees in Boston and Milwaukee whose real earnings had not increased, a higher percentage continued not to receive food stamps than to shift into the program after OBRA. It was considerably more common to see new recipients of energy assistance than housing assistance in all five sites, but the differences associated with a change in real earnings were not statistically significant.

Turning to other ways of coping, aside from participation in assistance programs, we found only one statistically significant relationship with increases in adjusted earnings: respondents in Syracuse with the same or fewer earnings were significantly more likely to be receiving other unearned income after OBRA than those whose real earnings had risen. There were no statistically significant relationships between increasing real earnings and the likelihood of adding adults with earnings to the household, moving in order to save money, or depleting assets. (See table 43 on page 91.)

Combining participation in assistance programs

Participation in two or more assistance programs at the time of our interviews varied widely, in terms of programs and sites (see table 44). Between 20 and 29 percent of the respondents in the high-benefit sites, and between 45 and 52 percent in the low-benefit sites, participated in at least two of the three programs

BLANK

PAGE

Table 44

The Participation of Earners in Food-Stamp and Energy- and Housing-Assistance Programs Before They Lost AFDC and After, at the Time of Our Interview, by Site

Program participation	Boston		Dallas		Memphis		Milwaukee		Syracuse	
	Before	After	Before	After	Before	After	Before	After	Before	After
Food stamps and energy assistance	8%	5%	34%	20%**	14%	25%*	22%	17%	56%	21%**
Food stamps and housing assistance	31	15**	42	30**	48	45	9	4*	26	16**
Energy and housing assistance	2	5	15	10	9	18*	3	6	21	9**
Food stamps and energy and housing assistance	2	2	15	7*	9	18*	3	3	17	8**
Any 2 or more programs	37	20**	62	45**	53	52	28	20	70	29**

*Difference significant at the .05 level.
**Difference significant at the .01 level.

discussed above. In the low-benefit sites, the most common pair was food stamps and housing assistance--30 percent in Dallas and 45 percent in Memphis. While this combination was highest also in Boston (15 percent), food stamps and energy assistance made up the most frequent pair in Milwaukee and Syracuse with 17 and 21 percent, respectively. Combining food stamps and energy assistance ranked second in Dallas and Memphis, although the rate at which they were combined corresponded to that in Milwaukee and Syracuse. Relatively few respondents in any site combined energy assistance and housing assistance, 18 percent at the most in Memphis. Similarly, fewer than 10 percent were participating in all three programs at the time of our interviews except in Memphis, where the rate was 18 percent.

We found that at the time of our interviews the rates of combining participation in two or more assistance programs were lower than combined participation rates prior to the respondents' termination from AFDC. In Boston, Dallas, and Syracuse, there were significant decreases in the extent to which respondents combined participation in any two or more of these programs. Moreover, there were statistically significant decreases in all the particular combinations of the three assistance programs in Syracuse, while in Dallas there were significant declines in all but the pairing of energy and housing assistance, and Boston had a significant decline only in its most common combination, food stamps and housing assistance. Memphis alone registered statistically significant increases in the combining of participation in two or more programs--in all combinations other than food stamps and housing assistance, the most frequent pair. Finally, Milwaukee had a statistically significant but minor decrease in combined participation in food stamps and housing assistance. This combination was infrequent at both times.

These diverse results reflect the great variations in basic participation rates in each of these programs, both before and after OBRA's implementation, from site to site. Most notable is the relatively low rate of housing assistance in Milwaukee and the general decline in food-stamp participation in all the sites. Nevertheless, the overall pattern demonstrates that even with each separate change in participation in the individual programs, there was a general if not entirely consistent decline in the extent to which the respondents participated in several assistance programs simultaneously.

Combining other ways of coping

What about other ways of coping that might provide income or reduce costs--adding an adult with income to the household, depleting assets, establishing a claim for child support, drawing on other sources of unearned income (Social Security, veterans' benefits, and so on), and moving to cheaper quarters? The extent to which AFDC terminees combined these with one another or with support from assistance programs varied widely, reflecting in part the variations we have already reported. Only a handful of

Table 45

The Number of Coping Actions Unrelated to Earnings Taken by Earners After They Lost AFDC by Site[a]

No. of actions	Boston	Dallas	Memphis	Milwaukee	Syracuse
0	4%	7%	6%	2%	7%
1	29	39	31	19	28
2	41	27	45	33	34
3	24	19	15	34	23
4	2	7	2	12	7
5	0	1	2	1	1
6	0	0	0	1	0

[a] The six actions possible are participating in assistance programs, adding other adults with income to the household, depleting assets, moving to save money, receiving child support, and receiving other unearned income.

Table 46

Pairs of Coping Actions Earners Took Between Losing AFDC and the Time of Our Interview by Site

Pair of actions	Boston	Dallas	Memphis	Milwaukee	Syracuse
Participated in assistance programs and					
Received other unearned income	7%	6%	5%	8%	8%
Received child support	26	20	41	41	26
Depleted assets	49	25	18	47	24
Moved to save money	2	8	8	10	11
Added adults with income to household	2	10	7	4	3
Received other unearned income and					
Received child support	3	3	1	9	4
Depleted assets	4	6	2	12	6
Moved to save money	0	1	0	1	2
Added adults with income to household	1	3	1	2	1
Received child support and					
Depleted assets	24	17	13	44	27
Moved to save money	0	5	4	12	10
Added adults with income to household	2	6	7	7	9
Depleted assets and					
Moved to save money	2	7	3	12	14
Added adults with income to household	2	10	3	10	10
Moved to save money and					
Added adults with income to household	0	6	3	5	5
No combination of actions, only one action, or none	33	46	37	20	35

respondents failed to adopt even one of these coping actions--2 to 7 percent (as we show in table 45). Between 19 and 39 percent adopted only one, and an additional 27 to 45 percent adopted two.

The three most frequent combinations were receiving assistance income and depleting assets (18 to 49 percent), receiving assistance income and having a claim for child support (20 to 41 percent), and depleting assets and claiming child support (13 to 44 percent). (See table 46 on the preceding page.) No other combination was cited by more than 14 percent of the respondents in any site. This reflects the relatively greater reliance of the AFDC terminees in the five sites on these three sources of unearned income, as we discussed earlier in this chapter.

SUMMARY OF EFFECTS AND SITE VARIATIONS

In our investigation of the ways that AFDC terminees may have coped with the loss of AFDC benefits after OBRA--including making a change in employment and earnings, enrolling in other assistance programs, adding household members with income, reducing housing and child-care expenditures, or making some combination of these--we found that increasing earnings was the most common. The use of most of the others was comparatively infrequent.

Most terminees were employed when we interviewed them, but up to one third in Dallas and Memphis were not. Earnings increased for the majority of the employed terminees, primarily because their hourly earnings increased; however, average hourly earnings increased nationally during this period. It is difficult to determine what part, if any, of an earnings increase can be attributed to steps taken by the terminees. Most terminees held only one job (usually with the same employer) before and after OBRA. In the high-benefit sites, this job was usually full time and usually clerical; in the low-benefit sites, the job was usually in services (cleaning, handling food, supplying personal services), and in Memphis it was usually part time. In four of the five sites, at least half the terminees increased their real monthly earnings by more than $25. In the fifth site (Memphis) only about one third did so, even though it had the largest increase in median hours worked for those employed. The low-benefit sites (where more people worked in service positions) had the lowest median hourly earnings, and many more terminees in the low-benefit sites received less than the minimum wage.

In addition to changing their employment and earnings, terminees could obtain income from other sources to compensate for the loss of AFDC benefits. Generally, we found no evidence that as a group they participated more in AFDC, food stamps, or housing assistance. In addition, few terminees received income from other sources such as Social Security, veterans' benefits, and Supplemental Security Income. Some received child-support payments. The low-benefit sites had more cases with food-stamp participation and, therefore, more cases that received income from at least one of the sources that we examined.

Most households did not change in composition. The most frequent arrangement, both before and after OBRA in all the sites, was a mother living alone with her children. Terminees in Dallas and Memphis were somewhat more likely to have other persons in the household at both times, and they changed somewhat in composition. Among the households that changed composition, more added members than lost them, taking in a spouse, a friend, or some other adult with income. Even so, in all the sites but Syracuse, most of the increases in households were additions of children, stepchildren, or grandchildren rather than immediate sources of new income.

Few AFDC terminees in the low-benefit sites depleted their assets in order to obtain cash. In two high-benefit sites, Boston and Milwaukee, more than half depleted savings accounts between the time of AFDC termination and our interview. In the other sites--Memphis, Dallas, and Syracuse--59 to 81 percent did not obtain cash from taking any of the seven actions that we asked about.

Some terminees made changes in housing and child-care arrangements after OBRA. We found no evidence that many people moved in order to save money; housing expenses generally increased in all the sites. Child-care expenses generally remained the same or were less after OBRA. One third to one half of the terminees in all the sites moved at least once after losing AFDC. Those who moved often reported as a reason the need to save money or to have a bigger or better place to live in, even though average housing costs (unadjusted for inflation) increased in all the sites after OBRA, except for public housing in Memphis.

Child-care arrangements changed somewhat after OBRA, particularly since the children were older and therefore able to take advantage of school as the primary source of care. A child's age was reported most often as the reason for change in four sites and as the second most important reason, after cost, in Milwaukee. Expenditures for child care were generally the same or less after OBRA. Many parents did not pay for child care either before or after. Most of those who paid at both times were paying the same or less after OBRA. The percentage of children younger than 13 with no supervised care outside school increased significantly in Boston, Syracuse, and Milwaukee from between 2 and 7 percent to between 11 and 19 percent. Almost all these children were 8 years old or older; we found no clear indication that more very young children were being left unsupervised.

Looking at combinations of these various strategies, we found that few combinations were used by many terminees. Generally, those with increased earnings (adjusted for inflation) were somewhat less likely to be receiving food stamps after OBRA than those with stable or decreased earnings. In Syracuse, the AFDC terminees with stable or decreased earnings were significantly more likely to receive unearned income other than child support or assistance such as Social Security and Unemployment Insurance.

The rates of combining participation in food stamps, housing assistance, and energy assistance generally declined after OBRA in all the sites except Memphis. Nevertheless, pairings between public-assistance participation, assets depletion, and claims for child support were reported most frequently at all the sites.

Among these various options, some patterns emerge as ways of minimizing the loss of AFDC income. The most common way of countering the loss of AFDC benefits was to earn more, but the terminees in Dallas and Memphis, the low-benefit sites, were least successful in increasing their earnings, partly because of the jobs they held. Respondents in Memphis were an exception to our general findings on employment in several ways. They had the lowest proportion of clerical jobs and the highest proportion of personal service and food service jobs, were the least likely to be working full-time before losing AFDC, and had increased their average hourly earnings less than wage earners nationally. More terminees were unemployed in Dallas and Memphis, and more of those who were working received less than the minimum wage. Compared to terminees in Memphis, in Dallas, where more terminees worked in clerical positions and fewer received less than the minimum wage, terminees were somewhat more successful in increasing their earnings. Terminees in the low-benefit sites were also more likely to receive food-stamp benefits, partly because of their lower earnings. Similarly, they were somewhat more likely to take other persons as possible income sources into their households and somewhat more likely in general to change household composition.

CHAPTER 6

OTHER ASPECTS OF THE ECONOMIC WELL-BEING OF WORKING FAMILIES WHO LOST AFDC

Although most of the workers OBRA terminated from AFDC in the five sites did not return to the program and maintained their employment, some families experienced difficulties in economic well-being, defined more broadly than cash income, after their loss of AFDC. However, the experience of these difficulties cannot be ascribed solely to OBRA. Running out of food was mentioned by 38 to 60 percent of those who lost AFDC, and 14 to 24 percent reported that they were refused or did not seek medical care because of their inability to pay. States' "medically needy" programs apparently did not replace the Medicaid coverage these families lost with their AFDC eligibility.

Having private insurance was largely a function of employment and, for those who were employed, of location, industrial sector, hours worked, and job seniority. Generally, those most likely to have been unemployed for at least a quarter of the time since their AFDC loss (12 to 36 percent across the sites) had worked for lower wages and for a shorter period of time with the same employer before their loss of AFDC. The risk of unemployment was also higher for the nonwhite mothers with young children who had been in the program for a shorter period of time.

The data analyzed in this chapter derive from our interviews with families who lost AFDC and are subject to the errors of recall and bias discussed in chapter 4. Moreover, we did not have independent information with which to estimate the accuracy of these families' reports of their difficulties, including unemployment and lack of health insurance coverage. In our exploration of the factors that characterized the families in some of the least satisfactory situations--lacking health insurance and experiencing prolonged unemployment--we are limited to a descriptive analysis of the data. We cannot generalize the findings from our samples to the national population of AFDC recipients, nor can we make the same level of causal attribution in all analyses. Nevertheless, our descriptive analyses suggest areas for research and should help inform the discussion of policy.

RELATIONSHIPS AMONG REPORTED HARDSHIPS

In an effort to gauge specific changes in the lives of those whose cases were terminated from AFDC, we asked them several questions about specific hardships during the 2 years before they lost AFDC and the 1-1/2 to 2 years after. There is, however, a general limitation to this kind of data.[1] In this section, we have not attempted to check the accuracy of the interview responses.

---

[1] Respondents do not always recall events accurately, and it is often impossible to determine the accuracy of recollections. See

In Initial Analyses, we reported that in all sites except Memphis, there were a number of significant shifts in the occurrence of 11 specific hardships. The two events most frequently reported, both before and after OBRA, to have occurred at least once were running out of food with no money to buy more and having to borrow $50 or more from a friend or relative. In Boston, Milwaukee, and Syracuse, more terminees reported running out of food and having no money to buy more in the period after OBRA than in the 2 years before (statistically significant at the .05 level). These high-benefit sites had the lowest proportion of terminees receiving food stamps and the highest proportion of terminees losing AFDC and food stamps simultaneously.

Table 47

Problems Earners Experienced After They Lost AFDC by Site

Problem	Boston	Dallas	Memphis	Milwaukee	Syracuse
Employed continuously but	(n=87)	(n=67)	(n=66)	(n=83)	(n=109)
Ran out of food and had no money to buy more	58.6%	52.2%	40.9%	56.6%	45.0%
Evicted or forced to move	0	3.0	4.5	1.2	3.7
Gas, phone, or electricity shut off	32.2	35.8	37.9	48.2	35.8
Had something repossessed	0	6.0	4.6	1.2	1.8
Had no clothes for children to wear outside home	19.5	16.4	13.6	14.4	7.3
Unemployed at some time and	(n=33)	(n=61)	(n=54)	(n=39)	(n=31)
Ran out of food and had no money to buy more	63.6%	67.2%	33.3%	51.3%	71.0%*
Evicted or forced to move	3.0	9.8	3.7	7.7	3.2
Gas, phone, or electricity shut off	39.4	52.4	25.9	30.8	48.4
Had something repossessed	3.0	19.7*	5.6	5.1	3.2
Had no clothes for children to wear outside home	18.2	14.8	14.8	20.5	6.4

*Differences between groups significant at the .05 level.

Because our unemployed respondents typically reported the largest income losses since their loss of AFDC, we examined the relationship of employment to the occurrence of the five hardships shown in table 47: running out of food, being evicted,

---

S. Sudman and N. M. Bradburn, Response Effects in Surveys: A Review and Synthesis (Chicago, Ill.: Aldine, 1974).

having the utilities shut off, having something repossessed, and having no clothes for the children to wear outside the home. Comparing respondents who had been employed throughout the period since losing AFDC to those who had been unemployed at least once, we found that generally those who had been unemployed were no more likely (statistically) to have experienced these problems. Apparently, maintaining continuous employment was not sufficient to avoid some of these difficulties.

THE INCIDENCE OF HEALTH CARE FORGONE AND REFUSED

Several questions in the interview asked about the extent to which respondents had not sought health care because they were unable to pay for it or had sought care but had been refused for financial reasons. In our previous report, we were not able to indicate which cases that were refused care involved medical and which involved dental problems. Further analysis enables us to make this distinction. Between 14 and 24 percent of the persons we interviewed stated that at least once since their termination from AFDC, they had not sought or had been refused the treatment of a medical problem for either themselves or their children. The range of responses about dental problems was higher--between 30 and 48 percent. (See table 48.) Because we did not obtain information on the frequency with which the respondents had forgone or been refused medical and dental care before losing AFDC, we do not know whether the incidence changed. We could not determine how many of the conditions for which treatment was delayed or forgone were serious; our data were insufficiently detailed to allow this type of assessment.

Table 48

Percentage of Earners Who Had to Forgo or Were Refused Medical and Dental Care After They Lost AFDC by Site

Type of care	Boston	Dallas	Memphis	Milwaukee	Syracuse
Medical	24.2%	23.4%	19.2%	22.1%	13.6%
Dental	48.3	40.6	33.3	32.8	30.0

HEALTH INSURANCE

Because eligibility for Medicaid is one of the concurrent benefits of AFDC, a significant issue regarding the circumstances of people OBRA removed from the AFDC program is whether they replaced the Medicaid coverage they lost with private insurance or whether they became qualified for Medicaid again by returning to AFDC or by some other means. In Initial Analyses, we noted substantial differences among the sites in Medicaid and private insurance coverage. In Memphis and Dallas, many families who lost AFDC because of OBRA had no form of health insurance.

The type and extent of health insurance coverage

Because all AFDC recipients are categorically eligible for Medicaid, all our respondents and their dependent children had health-care coverage before losing AFDC. Once OBRA removed them from AFDC, they could retain or reestablish eligibility for Medicaid either through "medically needy" programs--if these were available and if the terminees met the criteria set by the state--or by going back to AFDC. Texas does not have a "medically needy" program, and the one in Tennessee is largely limited to children and pregnant women.

As we show in table 49, the relative proportions of respondents and their children covered by Medicaid and by private

Table 49

Health Insurance Coverage Earners Had for Themselves and Their Children After They Lost AFDC, at the Time of Our Interview, by Site

Person covered	Boston	Dallas	Memphis	Milwaukee	Syracuse
Respondent					
No coverage	30.0%	63.3%	60.0%	16.4%	25.0%
Coverage					
Medicaid[a]	11.7	16.4	17.5	27.9	25.0
Other government	4.2	0	0	1.6	0.7
Private policy	55.8	20.3	23.3	58.2	56.4
Respondent's children					
Age 0-12 yrs	(n=106)	(n=235)	(n=203)	(n=123)	(n=166)
No coverage	25.5%	60.0%	50.7%	16.3%	25.9%
Coverage					
Medicaid	12.3	21.3	28.1	31.7	27.1
Other government	6.6	0.4	1.5	2.4	0.6
Private policy	56.6	18.3	24.1	55.3	53.6
Age 13-17 yrs	(n=79)	(n=65)	(n=74)	(n=93)	(n=89)
No coverage	31.6%	83.1%	48.6%	16.1%	24.7%
Coverage					
Medicaid	6.3	4.6	32.4	40.9	20.2
Other government	6.3	0	0	0	3.4
Private policy	55.7	12.3	23.0	47.3	59.6
Age 18-21 yrs[b]	(n=40)	(n=29)	(n=30)	(n=21)	(n=33)
No coverage	50%	76%	73%	33%	46%
Coverage					
Medicaid	15	3	20	0	21
Other government	0	0	0	5	3
Private policy	35	21	10	62	39

[a] Three of the four respondents who reported receiving AFDC but not Medicaid had just begun receiving AFDC within the past 2 months and may not yet have established Medicaid coverage.

[b] Figures rounded because of small sample sizes.

Table 50

Coverage and Payment Characteristics of Private Health Insurance Policies Earners and Their Children Had After They Lost AFDC, at the Time of Our Interview, by Site

Characteristic	Boston	Dallas	Memphis	Milwaukee	Syracuse
Person covered					
Respondent only	5.8%	3.9%	3.3%	9.8%	12.1%
Children only	4.2	3.9	5.8	6.6	9.3
Respondent and children	50.0	16.4	20.0	48.4	44.3
Payer[a]	(n=60)	(n=21)	(n=24)	(n=59)	(n=62)
Respondent	87%	86%	83%	71%	77%
Median monthly premium	$24	$30	$42	$35	$22
Respondent's employer	79%	62%	50%	88%	66%
Spouse's employer	2	0	0	5	3
Children's father	0	0	4	0	0
Children's father's employer	0	0	0	0	0

[a] Includes only policies covering both the respondent and the respondent's children. Any one policy may have more than one payer.

insurance and not covered at all varied widely across the sites. Between 12 and 28 percent of the respondents had Medicaid coverage at the time of the interview. Milwaukee had the highest Medicaid coverage rate for all groups, except children aged 18 to 21, while Boston and Dallas had the lowest. Medical coverage through other government programs, such as veterans' health benefits, was relatively infrequent, reaching a maximum of 6 to 7 percent for children younger than 18 in Boston.

Differences among the sites were more marked with respect to private insurance coverage. Between 20 and 58 percent of the respondents reported that they were covered by private health insurance. The rates of private coverage for respondents and their children were consistently higher in Boston, Milwaukee, and Syracuse and lower in Dallas and Memphis.

These differences in coverage mean that many more respondents in Dallas and Memphis reported not having health insurance coverage for themselves and their children than in Boston, Milwaukee, and Syracuse. The differences in coverage rates across the sites were sharper and more consistent than the differences within sites between respondents and children and between children of different age groups.

Of the respondents who reported having private health insurance policies, 44 to 50 percent in Boston, Milwaukee, and Syracuse had policies for themselves and their children, and so did 16 to 20 percent in Dallas and Memphis (see table 50). A large majority (71 to 87 percent) of respondents with full family coverage paid premiums whose medians ranged from $22 to $42 a month. Most also reported receiving contributions from their employers, ranging from 50 percent of those insured in Memphis to 88 percent in Milwaukee. Only 3 to 12 percent had private insurance for themselves alone, and only 4 to 9 percent benefited from policies covering not themselves but one or more of the children, such as through a father's insurance policy.

Health insurance for households headed by women in the national low-income population

In order to provide a context for our findings on coverage by Medicaid and private health insurance and the lack of insurance in the five sites, it is useful to compare them with the data that are available on rates of coverage for low-income households headed by women in the national population. For this comparison, we have drawn on the 1977 National Medical Care Expenditure Survey (NMCES) conducted by the National Center for Health Services Research (see table 51). From its full sample,

Table 51

A Comparison of the Medicaid and Private Health Insurance Coverage for Women Heads of Household and Their Children: Households With Incomes Below and Just Above the Federal Poverty Level in 1977 and Households in GAO's Low-Benefit and High-Benefit Sites at the Time of Our Interview

	NMCES survey[a]		GAO study sites[b]	
Insurance	Below poverty	Poverty to 149% of poverty	Low benefit[c]	High benefit[d]
Medicaid				
Women	66%	39%	16-18%	12-28%
Children				
0-12 yrs	76	58	21-28	12-32
13-17 yrs	70	45	5-32	6-41
18+ yrs	41	24	3-20	0-21
Private				
Women	19	40	20-23	56-58
Children				
0-12 yrs	13	33	18-24	54-57
13-17 yrs	19	38	12-23	47-60
18+ yrs	28	39	10-21	35-62
None				
Women	12	19	60-63	16-30
Children				
0-12 yrs	10	11	51-60	16-26
13-17 yrs	11	16	49-83	16-32
18+ yrs	28	32	73-76	33-50

[a] National Center for Health Services Research from the National Medical Care Expenditure Survey, 1977.

[b] Figures for heads of household include a few cases (1.4 percent across sites) with men heads of household, and figures for children 18+ include "children" 18-21 years old.

[c] Dallas and Memphis.

[d] Boston, Milwaukee, and Syracuse.

we selected families headed by women with children within two low-income classes: households whose income was below the federal poverty threshold and households whose income was between 100 and 149 percent of this threshold. These two groups provide approximate points of comparison for the families who were terminated from AFDC in our five sites.

For the most part, the results from our low-benefit sites should be compared with the NMCES figures for households below the poverty threshold. Eighty-one to 90 percent of our respondents in Dallas and Memphis lived in such households. The greater range of household income in Boston, Milwaukee, and Syracuse makes it more difficult to structure comparisons for these sites. However, with a median household income of 124 to 128 percent of the poverty threshold for the Boston and Milwaukee AFDC terminees, and 105 percent in Syracuse, the more appropriate comparison group for these sites would appear to be the households headed by women who stood just above the federal poverty threshold in the NMCES data.

It is important to emphasize, however, that the NMCES data provide only a rough benchmark for interpreting our data. The women we interviewed who lost eligibility for AFDC (most of whom lost it for reasons related to earnings) represent a specific subpopulation of households headed by women. In addition, the number of people covered by Medicaid decreased slightly between 1977 and 1983, while the population living below the poverty threshold increased. Thus, the percentages reported by NMCES for Medicaid coverage may well exceed what a comparable survey would have shown for 1983.

In general, our respondents reported a lower rate of Medicaid coverage for themselves and their children, a somewhat higher rate of private insurance coverage, and a much higher rate of no insurance coverage than households headed by women with similar income in the national population. With respect to Medicaid, respondents in Dallas and Memphis show less than half the rate of coverage reported by the national sample for women and children living below the poverty threshold. Medicaid coverage in the three high-benefit sites also consistently fell below that reported for the near-poor segment of the NMCES data, although the differences are not as large. The respondents in the low-benefit sites, in contrast, reported rates of private insurance coverage that came much closer to those found in the NMCES data for households headed by women living below the poverty threshold. The rates reported by respondents in Boston, Milwaukee, and Syracuse exceed those of the NMCES near-poor sample by a considerable margin. Finally, our respondents in Dallas and Memphis greatly surpassed the NMCES below-poverty group in lacking health insurance, and the respondents in the high-benefit sites matched the national data or substantially exceeded them.

Despite the wide variations among our five sites, some overall patterns do emerge. In the low-benefit sites, the absence of health insurance seems to be more a function of low rates of Medicaid coverage than of unusually low rates of private insurance. However, the lower rate of Medicaid coverage in the low-benefit sites than in the population living below the federal poverty threshold may be partly a function of the generally lower AFDC participation among our group of terminees than among households who are headed by women and below the poverty line.

The higher coverage in the high-benefit sites compared to the low-benefit sites appears to stem from higher rates of private insurance. However, in some of the high-benefit sites, the percentage of respondents with no coverage exceeds the NMCES figures. As we indicated above, this may simply reflect higher AFDC participation within the national sample.

Factors associated with Medicaid and private insurance

While the rates of Medicaid coverage were generally low, the differences across the sites reflect the combined effect of differences in the rates at which terminees returned to AFDC and differences in "medically needy" coverage for those who did not return to AFDC. Return to AFDC was the predominant factor in four sites. In Dallas, 90 percent of the respondents who had Medicaid coverage were also in the AFDC program. In Memphis, Milwaukee, and Boston, the figures were 86 percent, 82 percent, and 71 percent, respectively. In Syracuse, in contrast, only 23 percent of the respondents covered by Medicaid received AFDC benefits concurrently. Evidently, only the "medically needy" program in Syracuse enabled a substantial number of respondents and their dependent children to maintain or regain Medicaid coverage once they lost their AFDC benefits.

In our sites, employment was strongly related to insurance coverage. Among the respondents without jobs at the time of the interview (12 to 15 percent in Boston and Syracuse, 23 percent in Milwaukee, and 31 to 38 percent in Dallas and Memphis), only a small minority had private health insurance. Moreover, most of the unemployed respondents with private insurance either had lost their jobs recently (within 2 months) or were covered by an insurance policy through the employer of a spouse or a parent.

However, even when we controlled for employment, we found substantial differences among the sites in the proportion of respondents with private health insurance coverage. While 62 to 71 percent of those who were employed were covered in Boston, Milwaukee, and Syracuse, only 27 to 33 percent were covered in Dallas and Memphis. When we examined how factors other than employment influenced health insurance coverage across the five sites, we found that the hours worked by respondents, the sectors in which they were employed, and their status as new employees were significantly related to their having private health insurance coverage and that, together, these three factors accounted for much of, though not all, the variation.

Full-time workers in all five sites in the six job classifications we used were more likely to have private health insurance than were part-time workers.[2] In Boston, Memphis, Milwaukee, and Syracuse, employees in manufacturing, finance, and health were more likely than employees in retail and personal services to have private insurance but less likely than employees in government. Employees who had a year or more of seniority were more likely to have private health insurance than new workers (who represented 6 to 15 percent of employed respondents across the four sites).

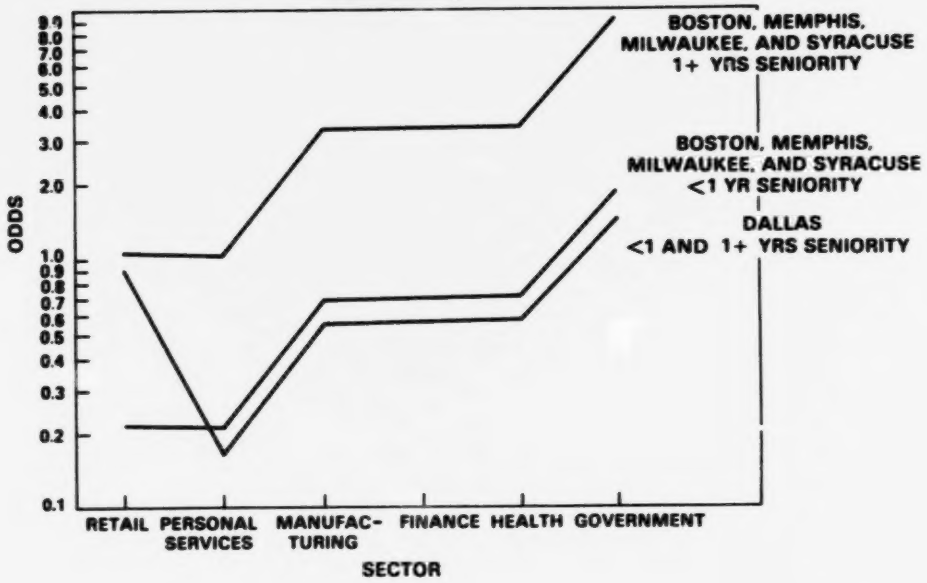
Workers terminated from AFDC in Dallas diverged from this pattern in several respects. First, there were no significant differences between recent employees and employees who had been a year or more on the job. Second, rates of coverage were substantially lower except in retail. That is, employed AFDC terminees in Dallas with a year's seniority (as well as those newly hired) in five of the six job classifications we used were less likely to have private health insurance than the more senior workers in Boston, Memphis, Milwaukee, and Syracuse. However, AFDC terminees in Dallas working in retail jobs were about as likely to have

---

[2] We combined the data across sites (with a sample of 396 employed cases with valid data on all variables) and performed a multivariate analysis using loglinear modeling, including a dummy variable for site. Loglinear modeling is used to analyze contingency tables formed by cross-classifying cases on a number of variables. The variables we used are as follows. (1) We defined full-time employees as employees working an average of 35 hours or more a week (for their primary job if they had more than one). (2) The respondents' primary jobs were coded according to Bureau of Labor Statistics sector classifications and then consolidated in six categories reflecting the most common sectors that we observed: manufacturing (including construction and transportation), finance (mostly banking and insurance), health (including dental services and nursing homes), government (including education), retail (including restaurants and hotels), and personal service (including domestic workers, day-care workers, beauticians, laundry staff, and commercial cleaning crews). (3) We defined new employees as employees who had worked for their current employer less than 1 year at the time of the interview. We had no data on the size of the employers' work force and no data on whether the employers offered health insurance. (4) A statistically significant site effect could reflect differences across the five sites on these variables, or on any others not included, as well as regional differences in coverage rates. The estimated magnitude of the differences in the groups' likelihood of having private health insurance is reported in the form of odds ratios in appendix V.

FIGURE 6

THE ODDS OF FULL-TIME EMPLOYEES HAVING PRIVATE HEALTH INSURANCE BY INDUSTRIAL SECTOR, JOB SENIORITY, AND SITE



private health insurance as the more senior employees in those jobs in the other sites. (See figure 6.)

In sum, the large difference between Memphis and the three high-benefit sites in the proportion of AFDC terminees with private health insurance appears to be the product of differences in the proportions of respondents employed, recently hired, working full-time, and employed in various industrial sectors. However, after taking these factors into account, we continued to find lower rates of private health insurance coverage in Dallas as well as some deviation from the relationship between industrial sector and job seniority (but not hours worked).

While the findings we have reported are strong evidence that these issues are quite important, the results cannot be generalized nationally for the following reasons. (1) The factors that explain variation in private health insurance coverage _within_ this population of workers terminated from AFDC may be _quite_ different from the factors that would explain variation in more heterogeneous groups, including the national population. (2) Other variables or different coding schemes for the same variables (such as a different classification of job sectors) could produce other results. (3) Substantially larger samples would have allowed us to make finer distinctions between industrial sectors and might have allowed us to include more variables and to probe more deeply into the complex interactions of the factors we analyzed. In short, our analysis of the factors associated with private health insurance coverage assesses only the broad influence of specific factors on AFDC earner terminees in five sites. Alternative factors remain to be examined, and the extent to which other groups are either more or less similar to ours, and would reveal similar results, cannot be determined from our data.

FACTORS ASSOCIATED WITH UNEMPLOYMENT

In planning welfare policy, it would be useful to know whether characteristics other than earnings differentiate those who are likely to remain employed and self-supporting when they are denied cash assistance from those who are less likely to remain employed. Whereas 10 percent or less of the earners we interviewed in the five sites were unemployed when OBRA terminated them from AFDC, 12 to 36 percent had been unemployed for one quarter or more of the time since their AFDC loss.

We found that, to a considerable extent, a number of demographic and work-related factors did differentiate the AFDC terminees who succeeded in maintaining employment in our five sites from those who did not. In all the sites, we found that specific combinations of race, length of time in AFDC, and the presence of young children were associated with the experience of being unemployed at least one quarter of the time since the loss of AFDC. Wages and job seniority before the loss of AFDC also influenced the likelihood of extended unemployment.

To assess the relative associations between work experience, extended unemployment, and demographic and site variables, we combined the data across the sites and focused on cases that experienced relatively extended unemployment, setting a cutoff point at 25 percent of the period from termination to interview.[3] We designated the respondents who were unemployed a quarter of this period or more--a minimum of 4 to 6 months--cases experiencing "extended" or "lengthy" unemployment. Dallas and Memphis had the most respondents in this group, at 36 and 35 percent, respectively, and Syracuse had the least, at 12 percent.

---

[3] We used multivariate analysis with loglinear modeling techniques (explained further in appendix V, where we also present odds ratio tables). We selected five specific variables from data obtained from our interviews, and we used a sample of 566 cases across the sites for which we had valid data on all the variables. Two variables related to work experience--hourly earnings (at or below minimum wage, from minimum wage to a dollar above the minimum, and more than a dollar above minimum wage) and years with employer (less than 2 years versus 2 or more). Two variables were demographic--race (white and nonwhite) and the presence of children younger than 6. Finally, we included a variable to characterize experience in AFDC--years continuously in the program prior to termination from AFDC by OBRA (less than 3 years versus 3 or more).

Each variable, including site, proved to have statistically significant associations with lengthy unemployment. All these associations involved the interactions of the variables, with the exception of hourly earnings, which had a simple, direct relationship. In all five sites, the terminees whose hourly earnings were more than a dollar above the minimum wage (16 to 56 percent of our samples) were less likely to experience extended unemployment than those whose hourly earnings were less than this. (See appendix V.)

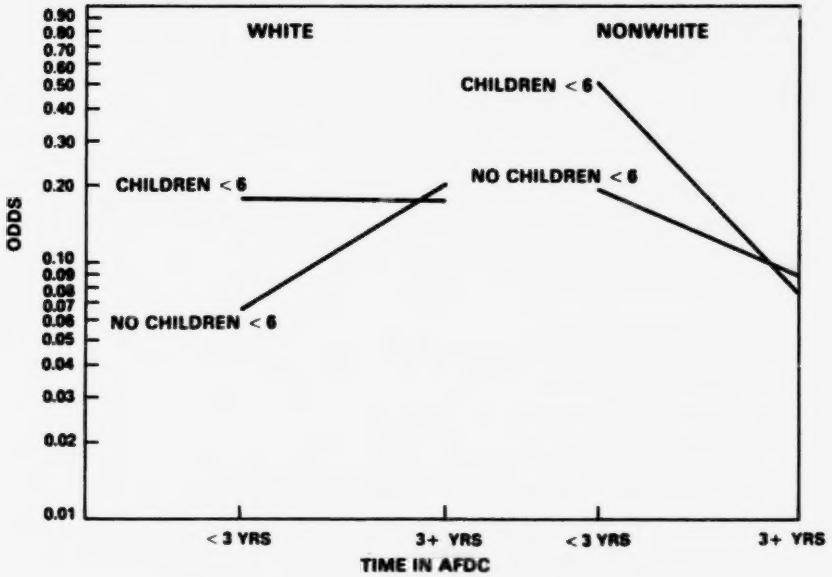
In all the sites except Milwaukee, the AFDC terminees who had been working less than 2 years for the same employer were more likely to experience extended unemployment. In Milwaukee, those with less than 2 years on the job were slightly less likely to be unemployed 25 percent or more of the time.

The association of the presence of young children with extended unemployment varied substantially, depending on how long the AFDC terminees had been in the program prior to OBRA. Those who lived with children younger than 6 were significantly more likely to be unemployed for extended periods if they had been receiving AFDC benefits for less than 3 years, but among those who had been in the program 3 years or more, there was little difference between those with young children and those without. We do not know whether there is an association between receiving AFDC benefits for some continuous period and having difficulty finding work. Furthermore, length of participation in AFDC may be confounded with such variables as work experience and other maturation processes. However, we found that two variables that can be associated with maturation, age and education (high school graduation and beyond versus less than high school graduation), were less effective than the original variables and the site in distinguishing between cases more and cases less likely to be unemployed for extended periods.

We found that race distinguished the risk of unemployment, not as a main effect but as an interaction. Among both white and nonwhite terminees who had been in AFDC for less than 3 years, the risk of unemployment was higher for those with children younger than 6 than for those without children younger than 6. For members of both white and nonwhite groups who had been in AFDC longer than 3 years, there was no notable difference in the risk of unemployment between those with children older than 6 and those with children younger than 6. However, the group with the lowest risk defined by these variables was made up of white terminees with no children younger than 6 who had been in AFDC for a short time. The group with the very highest risk of all was made up of nonwhites with children younger than 6 who had

FIGURE 7

THE ODDS OF EARNERS TERMINATED FROM AFDC EXPERIENCING EXTENDED UNEMPLOYMENT BY TIME IN AFDC, RACE, AND THE PRESENCE OF CHILDREN UNDER 6 YEARS*



*RESTRICTED TO EARNERS IN SYRACUSE WHO HAD HOURLY EARNINGS LESS THAN OR EQUAL TO THE MINIMUM WAGE PLUS $1 AND WHO WORKED FOR THE SAME EMPLOYER FOR LESS THAN 2 YEARS

been in AFDC for a short time. (See figure 7; data are only for Syracuse.)

The association of lengthy unemployment with hourly earnings prior to AFDC termination, time continuously in the AFDC program, and the presence of young children had the same direction and magnitude in all five sites. After taking these individual differences into account, we found that site as a variable had a substantial association with the likelihood of experiencing extended unemployment. AFDC terminees in Boston and Dallas were more likely than those in Syracuse to be unemployed for extended periods but less likely than those in Memphis. The relative likelihood that AFDC terminees in Milwaukee would experience extended unemployment depended on their job seniority.

The results of these loglinear analyses show that for members of the particular population in question--working AFDC recipients terminated from AFDC by the 1981 OBRA legislation in five sites--several demographic and work-related factors were strongly associated with the probability that they would be unemployed for extended periods. Given the scope of our study, we cannot determine how well these particular factors describe the earners who were most and the earners who were least likely to experience lengthy unemployment. Other variables that we did not test could well reveal a stronger differentiation. Nonetheless, these results indicate the types of factors other than the level of current earned income that can have an important bearing on AFDC recipients' prospects for staying in the work force after they lose their welfare benefits.

All the variables that we examined are indicators of the characteristics of individuals, since these indicators relate directly to the decision to terminate the eligibility of cases for AFDC. Other factors relating to the economic and social environments in which people seek work, expecially the demand for labor with specific skills and work experience, also have a considerable effect on the likelihood that people will find and keep jobs. The variations that we found across our sites, after controlling for the effects of the individual variables, probably reflect the effect of environmental and other demographic variables that influence unemployment--variables that were not included in our analysis and may have varied across the sites.

Our findings apply only to working AFDC recipients--namely, those who having been employed while they were in the AFDC program, lost their eligibility for AFDC because of the OBRA changes to the program. We cannot determine from our data how the length of time AFDC cases received benefits might be related to the acquisition or retention of jobs among nonworking AFDC recipients. Further, all our analyses of factors associated with extended unemployment are limited in their scope to the groups that we surveyed and the data that we collected.

SUMMARY

Some, but not all, of the families in the five sites who lost AFDC benefits because of OBRA experienced difficulties after OBRA. More AFDC terminees reported that they had run out of food without money to buy more (38 to 60 percent) and that they had borrowed $50 or more from a friend or relative (43 to 61 percent) than any of the other hardships we asked about, and more terminees reported having experienced these two hardships after OBRA than before. Generally, those who had been unemployed at least once since their termination from AFDC were no more likely to have run out of food, to have been evicted, to have had property repossessed, or to have had no clothes for their children to wear outside the home. Among those who were refused or did not seek medical or dental treatment because of inability to pay, more people reported having to forgo dental than medical treatment.

Health insurance coverage varied widely. Our respondents in the low-benefit sites of Dallas and Memphis were much less likely than those in the high-benefit sites of Boston, Milwaukee, and Syracuse to have any sort of health insurance. Across the sites, those with private insurance tended to have coverage for both themselves and their children, and most shared premium costs with employers. Generally, few reported having Medicaid. In fact, AFDC terminees in all five sites were less likely to have Medicaid coverage, or to have any health insurance whatsoever, than households headed by women living below the poverty line. Except in Syracuse, most of those who reported that they had Medicaid coverage were also in the AFDC program. In these sites, apparently, few had Medicaid coverage through the "medically needy" provisions in a state's Medicaid program.

Private health insurance coverage was largely a function of employment and, among those who were employed, of location, industrial sector, hours worked, and job seniority. Full-time workers in all five sites and in the six industrial sectors we examined were much more likely to have private health insurance than part-time workers. In all the sites but Dallas, employees in retail jobs and in personal services were less likely, and employees in government were more likely, to have private health insurance than employees in manufacturing, finance, and health services. Employees with at least a year's experience with the same employer were substantially more likely to have private health insurance than new employees.

The rates of private health insurance coverage were substantially lower in Dallas and Memphis. When we controlled for sample differences in these factors, the rates in Memphis were similar to the rates in the high-benefit states, but the rates remained lower in Dallas, except for employees in retail jobs and those hired within a year of our interviews. In sum, factors related to employment accounted for the relatively low rates of private health insurance coverage for AFDC terminees in Memphis (but not Dallas) compared to Boston, Milwaukee, and Syracuse.

Some groups of AFDC terminees were much more likely than others to have been unemployed 25 percent of the time between their termination from AFDC and our interviews with them. We found substantial differences across the sites. Those whose hourly earnings at termination from AFDC were less than a dollar above the minimum wage, and those who had worked less than 2 years for the same employer prior to termination (except in Milwaukee), were more likely to experience unemployment. The number of years that AFDC terminees had been continuously in the program prior to OBRA had a considerable effect on employment, but it was a factor whose influence depended considerably on the presence of young children. The risk of unemployment was notably higher for the nonwhite mothers with children younger than 6 who had been in the AFDC program for a short time than for all other subgroups.

Our analyses indicate that level of earnings was just one of a number of factors associated with the relative success with which AFDC terminees in our five sites maintained a stable attachment to the work force. However, we caution against the projection of these results to the dynamics of work and welfare in the AFDC program as a whole. One might have different findings from analyses that employed a nationally representative sample of cases terminated from AFDC by OBRA or from analyses that defined variables such as work history and AFDC experience somewhat differently.

CHAPTER 7

SUMMARY OF RESULTS AND OBSERVATIONS

The changes that OBRA made to the AFDC program in 1981 led to cost savings in the national program through June 1983 similar to those that were predicted and, in the five sites we examined, do not appear to have affected the employment behavior of either those who lost their eligibility for AFDC or those who continued to receive AFDC benefits. However, 1-1/2 to 2 years later, those who had lost AFDC in our five sites experienced substantial real-income losses and many, particularly in the low-benefit sites (Dallas and Memphis), were without health insurance (the high-benefit sites were Boston, Milwaukee, and Syracuse). Because of large differences between states in need standards and benefit levels, families with similar income levels lost AFDC in some sites and remained in the program in others. Two years later, the income of most families in the low-benefit sites was below the poverty line.

Changes that were made to the program in 1984 loosened the eligibility requirements slightly and extended Medicaid coverage for those who lost AFDC because of earnings. Although both the AFDC program and the circumstances of the families we studied may have changed as a result of these and other factors, much of our information still pertains to current policy discussions about work and welfare. As long as state-to-state differences in AFDC eligibility limits remain large, the rules will continue to affect families differently according to where they live, despite similar economic situations. Variations in private insurance coverage that depend on variations in regions and employers will also leave some persons without health insurance when the Medicaid extension expires. Finally, our data suggest that independence from welfare by means of employment is not simply a matter of individual effort easily influenced by program incentives. It depends also on wage levels and employment opportunities.

SUMMARY OF RESULTS

The OBRA changes to the AFDC program were intended to reduce costs by terminating or reducing the welfare benefits of recipients who were deemed able to be self-sufficient with no, or with less, public assistance and, thus, to lessen the income advantages for employed recipients and target the AFDC program to the "most needy." These purposes raised three evaluation questions about the AFDC program. (1) Were its costs reduced? (2) Were those whose benefits were terminated and reduced able to maintain self-sufficiency? (3) Did removing the income advantages for employed recipients create a work disincentive? Additionally, the House Committee on Ways and Means expressed concern for information about the economic well-being of those who lost eligibility for AFDC because of OBRA.

OBRA reduced national caseloads and costs during the several months in which the statute's provisions were applied to the bulk of the national caseload. In five sites, OBRA directly closed a large proportion of the cases with earned income within 6 months and accelerated closing rates for earner cases in some sites throughout the first year of OBRA's implementation. The rates at which cases initially closed by OBRA returned to AFDC within that year were lower than return rates observed in a previous year. This demonstrates that most of the cases OBRA closed (in the five sites we analyzed) were able to maintain independence from welfare. A much larger proportion of cases whose grants were reduced were in AFDC a year after the changes. This suggests that the cases whose grants were reduced--which had had, on the average, less earned income before OBRA--were less able to gain or maintain independence from welfare. Looking at the remainder of the caseload, we found no noticeable effect on work incentives. AFDC recipients who were employed in the month before the changes took effect were no more likely than similar recipients a year earlier to lose employment over a 12-month period; those who were unemployed when the changes took effect were no less likely to become employed over that period.

Although the low return rates suggest that closed cases were able to maintain self-sufficiency, several findings suggest that the economic well-being of many families deteriorated after they lost AFDC. Many of the earners whose grants were reduced and who were receiving AFDC a year later had less real income. We interviewed earners in five sites 1-1/2 to 2 years after their cases were closed and found that they also had substantial losses in real income from earnings plus AFDC plus food stamps. Many of those who were still employed had increased their earnings, but 12 to 38 percent were unemployed. Moreover, more than four fifths of the closed cases in the low-benefit sites and about one third of the closed cases in the high-benefit sites were households with income below the poverty level.

Despite the income losses, earners across our sites who lost AFDC because of OBRA generally did not substantially change their participation in other assistance programs, income from other sources, or expenditures for housing. Child-care expenses generally remained the same or were less after OBRA. Some whose cases were closed reported experiencing hardships after losing AFDC. (However, our data do not reveal the extent to which closed cases would have had similar problems in the absence of OBRA and the extent to which their problems were different from those of people with similar incomes.) Finally, after losing Medicaid coverage with the loss of their AFDC eligibility, many families were without health insurance 1-1/2 to 2 years later.

Direct effects of OBRA nationally and in five sites

The changes OBRA made to AFDC reduced notably the program's national caseload and payments. From our final analysis, we estimate that outlays were $93 million less, in the short run, and that 442,000 fewer cases were open in an average month.[1] Before OBRA, the caseload had approximately 3.6 million active cases and a monthly outlay exceeding $1 billion. The decrease in the caseload was larger than the projections HHS made, prior to OBRA's implementation, of the number of cases that would close, but the decrease in costs was not.

In terms of closings and reductions in our five sites, OBRA's immediate effect was concentrated, as intended, on the small proportion of the caseload that had earned income. Within the first 6 months, the AFDC benefits of 66 to 86 percent of the cases with earned income were reduced or eliminated. Earners whose cases were closed had higher earnings in the month before OBRA than other earners. Average monthly AFDC dollar losses in closed cases were substantial ($71 to $198); the average losses in cases whose grants were reduced were less ($46 to $137) than the losses in cases that were closed.

Because food-stamp benefits increase as family income decreases at a rate of 30 cents to the dollar, it was expected that increases in food-stamp benefits would partially compensate for the AFDC losses. This generally happened only for those whose AFDC grants were reduced, not those whose cases were terminated. We do not have data for cases that lost AFDC but continued to receive food stamps. However, in the high-benefit sites, 58 to 77 percent of cases that had received both food stamps and AFDC reported that they lost their food stamps simultaneously with their loss of AFDC. These terminations of food-stamp benefits may have been the result of OBRA's changes to the Food Stamp Program, but in one site, procedural errors in administering this program may have been involved. Most of the cases that were closed and lost food stamps reported that they did not regain food stamps later. Similarly, most of the cases that were closed and had not been receiving food stamps did not begin to receive food stamps later.

OBRA's indirect effects on caseload characteristics and dynamics in five sites

Compared to earners in the base period, a much smaller proportion of OBRA-period earners were receiving AFDC benefits a year later. High closing rates combined with lower-than-usual return rates to AFDC appear to account for this finding. Throughout the year after the initial implementation period, the cases with earners continued to close at higher rates in three sites, some explicitly for reasons related to OBRA's provisions on income.

---

[1] Twelve months of additional data permitted the more stable estimate of a reduction of 442,000 cases than the 493,000 we reported previously.

Although our analyses were limited by the factors we outlined in chapter 3, they appear to show that OBRA did not indirectly lead either earners or nonearners to reduce their work effort. Fewer OBRA-period than base-period earners were working and receiving AFDC 1 year after OBRA's implementation, but the difference, which is statistically significant, disappeared after we controlled for the stricter income rules under OBRA. Many of the reduced-grant cases that were receiving AFDC 1 year later were no longer working, but we have no employment information on the 25 to 57 percent who were not receiving AFDC benefits at that time. Comparing the cases not closed by OBRA during the first few months after implementation to similar cases a year earlier, we found that in the OBRA period, earners were no more likely to lose employment and nonearners were no less likely to gain employment.

A year after OBRA's implementation, the caseloads in our five sites had substantially fewer cases with earnings. The cases in two of the high-benefit sites depended somewhat more on assistance from AFDC and food stamps for total income than they had before OBRA. Thus, the AFDC program under OBRA does appear to have been targeted to a group with fewer additional resources in at least two sites.

Later circumstances of families affected by OBRA in five sites

From 61 to 75 percent of the earners in three sites whose grants OBRA reduced but did not terminate were in AFDC a year later; in a fourth site, only 43 percent were receiving AFDC benefits then (we have no data on the fifth site). When income is defined as a recipient's earnings plus AFDC plus food stamps (adjusted for inflation), most of these active cases had substantial real-income losses between the month before they were reduced and a year after OBRA. Part of these income losses were decreases in earnings. Whereas average food-stamp benefits generally increased for the cases whose AFDC benefits were reduced, these increases were not sufficient to offset the AFDC decreases.

The pattern for earners whose cases were terminated from AFDC was somewhat different. They also had substantial income losses (after adjustment for inflation) when we interviewed them 1-1/2 to 2 years later. However, food stamps were frequently lost in the high-benefit sites, and few cases lost food stamps in the low-benefit sites, but the amounts they did lose were frequently larger than what they lost in AFDC grants. Median losses of monthly income ranged from $109 to $189 and were greater for the unemployed than the employed. Percentage losses were greater in the low-benefit sites, where average income before OBRA was less and many more people terminated from AFDC were unemployed. Moreover, 30 to 44 percent of the cases that were terminated in the high-benefit sites were below the poverty line when we interviewed them, compared to 81 to 90 percent in the low-benefit sites.

Although the cases that OBRA terminated from AFDC could have minimized the effect of the loss of AFDC by various means, the most frequent and most important means was to increase their earnings. Many of the terminated cases worked full-time; 38 to 70 percent of those that were working both before and after OBRA increased their real earnings during this period. Except in one low-benefit site, most of the earnings increases were achieved by increasing the hourly wage rather than by increasing the number of hours worked, changing employers, or taking on a second job. We have no data that explain how earners increased their hourly wages. In the same low-benefit site, the types of jobs respondents held were different from job types in the other sites, fewer terminated cases had been working full-time before OBRA, and earnings increases were more frequently a function of the hours worked than the hourly wage.

Cases terminated from AFDC in our five sites did not generally turn to other federal or state programs, nor did they return to their previous levels of food stamps and AFDC participation. They tended to stay out of AFDC during the ensuing 1-1/2 to 2 years. More than two thirds of those who did return were unemployed when they returned, although more than half of those who had episodes of unemployment did not return to AFDC before regaining employment (except in one high-benefit site).

Child support did not appreciably lessen the effect of the AFDC loss for the closed cases as a whole. Few new child-support claims were established, and 40 to 68 percent of those who had claims for child support reported that they had received no support payments for 3 months. Some families increased their household size, primarily by taking in relatives, but 50 to 82 percent of the households were made up of a single parent with children. Across the five sites, 5 to 20 percent of the terminated cases added adults with income to the household.

We found little evidence of substantial cutting back on housing expenditures. Most of the people whose cases were terminated lived in rental housing, both before the termination from AFDC and when we interviewed them. Public housing was the primary type of residence, except in two high-benefit sites. In all sites, unadjusted costs generally increased for all types of housing, and few families reported moving in order to save money.

Because most of the children were older than 6 at both times, school (including preschool) was the primary form of child care. It was supplemented most frequently by care from sitters, older siblings, and other relatives. Many parents paid by barter or not at all for their child-care arrangements, even before they lost AFDC. Those who paid tended to pay, when we interviewed them, either the same as or less than what they paid when they lost AFDC (in unadjusted costs). The percentage of children younger than 13 with no supervised care outside school increased in all three high-benefit sites, where 11 to 19 percent of the children younger than 13 had no supervision outside school, compared to 2 to 7 percent prior to OBRA. Most of the children who were left unsupervised (90 to 94 percent) were between 8 and 13 years old at the time of the interview.

All cases lost categorical eligibility for Medicaid when they lost AFDC. In four sites, cases could be enrolled in Medicaid through the states' "medically needy" programs, but only 12 to 28 percent of our respondents reported having Medicaid coverage at the time of our interviews with them. In the three high-benefit sites, many relied on private medical insurance, most reporting employer contributions. In the two low-benefit sites, however, about half of the families who lost AFDC were without insurance coverage. The respondents who were unemployed, who had been working part-time, who were with the same employer for less than a year (except in one site), and who were employed in specific industrial sectors (particularly in retail and personal services) were less likely than others to have private health insurance. Differences in these characteristics from site to site explain much of the difference in the rates of private health insurance coverage in one of the two low-benefit sites, but they do not completely explain the low rate in the other low-benefit site.

The closed cases everywhere but in one low-benefit site reported various hardships significantly more often after OBRA than in the 2 years before. For example, a higher percentage of respondents reported having had to borrow $50 or more from friends and relatives after their cases were terminated than before. In the high-benefit sites, a higher percentage reported running out of food and having no money to buy more at least once in the period after their cases were terminated. However, the extent to which they would have had similar problems in the absence of OBRA, and the extent to which their problems were different from those of other people not receiving AFDC benefits but having similar incomes, cannot be determined from the data we collected.

The cases that were in perhaps the least satisfactory situation after losing AFDC--in terms of income loss and the absence of health insurance--were those that were unemployed for extended periods after the loss of AFDC (12 to 36 percent across the five sites). This group is important because it represents those who did not maintain self-sufficiency in the labor market after losing income support. Generally, the terminated cases that were most likely to have experienced unemployment for at least one fourth of the time since losing AFDC had worked for lower wages and (except in one high-benefit site) for a shorter time with the same employer before being removed from the AFDC program. We found also that specific combinations of race, length of participation in AFDC, and the presence of young children were associated with the likelihood that cases OBRA terminated from AFDC would experience extended unemployment.

THE IMPORTANCE OF SITE AND STATE DIFFERENCES IN PROGRAM STRUCTURE

OBRA closed a large proportion of the earner cases in all five sites, but the patterns from site to site were different, partly because of the kinds of work that were available and partly because of the levels of state-set AFDC payment and need standards and the manner in which the OBRA changes were implemented.

Eligibility standards differed considerably from state to state, which means that the various AFDC recipients who lost their benefits had very different income situations and that people in similar income situations lost AFDC in some sites but retained it in others. Additionally, employment characteristics such as industrial sector, hourly earnings, and full-time versus part-time employment were associated with these site differences. These factors are important but not sufficient to explain differences in the success with which the cases in the five sites recovered their income losses and acquired health insurance some 2 years later. Local labor markets appear to have played a role, but we were unable to disentangle it from the other factors.

As expected, state differences in payment and need standards were strongly related to whether cases had other sources of income and to how much income, on the average, they received. Before OBRA, very few cases in the low-benefit sites had either earned or unearned income from other than food stamps (which almost all received), while in the high-benefit sites, 13 to 17 percent had earned income and a few less had unearned income from other than food stamps (which approximately 74 to 90 percent received). In addition, average AFDC grants were nearly $200 higher in the high-benefit sites than in the low-benefit sites. In the low-benefit sites, cases had $50 to $100 more in food stamps. In total, average monthly assistance-unit income was nearly $200 higher in two high-benefit sites than in the two low-benefit sites (information for the fifth site was not available). Because of this, and because one of the most important OBRA provisions--the limit on gross income--operates in relation to the states' AFDC payment and need standards, the people who were affected by OBRA across the five sites had quite different income characteristics. On the average, the monthly earnings of earners before termination from AFDC in the low-benefit sites were similar to those of earners in two of the high-benefit sites who remained in the program.

The differences in payment standards led to smaller immediate dollar losses for AFDC cases terminated in the low-benefit sites, but because food stamps made up a larger proportion of assistance income there, terminated cases that lost AFDC and food stamps simultaneously in the low-benefit sites frequently lost more in food stamps than the average loss in AFDC income. They also lost more in food stamps than did the cases that simultaneously lost AFDC and food stamps in the high-benefit sites. When we interviewed them 1-1/2 to 2 years later, closed AFDC cases in the low-benefit sites typically had larger percentage losses in real income from earnings, AFDC, and food stamps than closed cases in the high-benefit sites. This reflects the facts that, on the average, they had less income before OBRA and that many more were unemployed when we interviewed them. Among the employed cases across the sites, differences in income loss were not associated with differences in state payment standards.

The differences in average earnings across sites also reflect differences in the employment characteristics of the cases terminated from AFDC. Everywhere but one low-benefit site, they had, on the average, been working full-time before they lost AFDC. Those who lost AFDC in two high-benefit sites had been working in different types of jobs--more than 40 percent in clerical jobs--and had higher wages than those in the low-benefit sites, where earners were much more likely to be working in lower-paid cleaning and service jobs. Fewer than 18 percent of the closed earner cases had been receiving less than the minimum wage in the high-benefit sites while 31 to 47 percent had been receiving less than the minimum wage in the low-benefit sites. We were unable to determine whether the differences in wage rates were a function of industrial sectors or of regional differences in wage rates for similar jobs.

The much larger proportion of closed cases in the low-benefit sites lacking health insurance for adults and children, compared to the high-benefit sites, was strongly associated with employment differences in the sites. State "medically needy" programs could extend Medicaid coverage to some who were not receiving AFDC in four sites, but coverage was almost exclusively associated with a return to AFDC everywhere except one site. For the majority of the cases that did not return to AFDC, private health insurance was the primary alternative. The large difference between one low-benefit site and the three high-benefit sites in the proportion of terminated cases with private health insurance was the product of differences in the proportion of respondents who had been employed full-time with the same employer for more than a year in specific industrial sectors, particularly retail sales and personal services. These factors do not, however, explain a large difference between one low-benefit site and the four other sites in the private health insurance coverage that full-time workers had in all but the retail sector.

GENERAL OBSERVATIONS ON WORK AND WELFARE ISSUES

Both before and after OBRA, the typical AFDC case in our five sites consisted of a 30-year-old woman with two children, about 90 percent or more of whose income came from assistance programs--with AFDC representing about 75 percent in the high-benefit sites and about 45 percent in the low-benefit sites (where food stamps made up most of the difference). Some cases had other types of unearned income or earnings even before OBRA, more in the high-benefit sites than in the low-benefit sites. The typical case had been enrolled continuously in AFDC for about 4 years in Boston, 3 years in Milwaukee, 2-1/2 years in Memphis and Syracuse, and slightly more than a year in Dallas.

In the three sites for which we have the information, most of the caseload was recorded as having started participation in AFDC most recently because of divorce, separation, abandonment, unwed pregnancy, or loss of earned or unearned income. In one low-benefit site, the records showed that many cases entered AFDC because they once again complied with AFDC regulations, which implies that they had been in the program previously. Earners were more likely than nonearners to have begun receiving AFDC because of a loss of earned income. However, the frequency with which nonearners began to receive AFDC benefits because they lost earned income underscores our definition of "nonearners" as cases that did not report having earnings in the month in which they were sampled and that they did not necessarily lack a history of employment.

Employment was related to the likelihood of not receiving AFDC. A year after we sampled them, earners were more likely than nonearners to have been out of the AFDC program in the base as well as the OBRA period. Among the closed cases, unemployment was very highly related to a return to AFDC. Earners whose cases were closed but who returned to AFDC gave loss of employment as a reason for returning, at a rate of 62 to 85 percent everywhere but one high-benefit site, where the rate was 38 percent. Consonant with the data on the most frequent reasons for opening cases in the caseload as a whole, some of the earners whose cases were terminated, and who cited loss of employment for their return to AFDC, indicated that they had quit their jobs because of pregnancy and childbirth or illness. Unemployment was a stronger predictor of a return to AFDC during the 1-1/2 to 2 years after cases were terminated by OBRA than other demographic variables. More than two thirds of those who returned were unemployed at the time, but most of those who became unemployed did not return to AFDC before regaining employment.

Among earners whose cases were terminated, those who were most likely to have been unemployed for at least one fourth of the time following the termination had lower wages and (except in one high-benefit site) less job seniority than others whose cases were terminated. The length of time during which terminated cases had received AFDC prior to OBRA had a considerable influence on the likelihood of extended employment, but it varied substantially with the presence of young children. The risk of unemployment was notably higher for nonwhite mothers whose children were younger than 6 and who had received AFDC benefits for only a short time.

SOME IMPLICATIONS OF OUR RESULTS FOR WORK AND WELFARE POLICY

The Congress, basing its decision on the information in our previous report, An Evaluation of the 1981 AFDC Changes: Initial Analyses (GAO/PEMD-84-6), and on several other national and local studies of OBRA's effects on the AFDC program, passed the Deficit Reduction Act of 1984 (Public Law 98-369) in order to enact the following changes to the AFDC program:

- an increase in the AFDC gross-income limit from 150 percent to 185 percent of the state need standard,
- the establishment of a flat $75 work-expense deduction for full-time and part-time workers receiving AFDC benefits,
- an 8-month extension of the $30 earned-income disregard to a maximum of 1 year for AFDC cases with earnings, and
- the creation of a 9-month transition period during which cases disqualified from AFDC because of earnings remain eligible for Medicaid coverage, with the states' option of extending the period an additional 6 months.

These modifications, like those in OBRA, are relevant mostly to working welfare recipients. These changes will have had their own effects, independent of OBRA's, on the AFDC program and recipients and were outside the scope of our study. For example, by making some families eligible who previously were not, the 1984 changes may have increased the caseload and costs, and they may have extended AFDC eligibility to some of the families in our study who reported experiencing difficulties.

Because the 1984 changes were made after the completion of our study, they cannot, of course, affect our estimates of the effects of OBRA in 1981-83. However, our study not only describes the effects of the OBRA changes but also explores the behavioral effects of a particular legislative change and provides detailed information about a segment of the AFDC population that has been of particular policy interest for several years. In addition to the information we provide on these topics, our study of OBRA's effects on the AFDC program, and on the behavior and circumstances of families whose cases were closed by OBRA, prompts the following observations.

1. If state-to-state differences in eligibility and benefit standards remain large, and changes to AFDC are designed to interact directly with these standards--for example, if the gross-income limit is to be calculated as a percentage of a state's need standard--these changes may be expected to affect similar families differently in different parts of the country.

This may be inferred from our finding that because of the interaction of OBRA's changes to AFDC with state need and payment standards, some families with very low income in low-benefit sites lost AFDC benefits. Roughly four fifths of them had income below the poverty level 1-1/2 to 2 years after OBRA closed their cases. In two high-benefit sites, families with income similar to that of those who lost AFDC in the low-benefit sites remained in the program after the OBRA changes.

2. AFDC recipients who lose AFDC benefits because of OBRA's earned-income rules and who work for employers who offer no health insurance, or do not work enough hours to be eligible for an employer's insurance program, will probably be without health insurance after the expiration of the 9-to-15-month extension of Medicaid eligibility. We found that private health insurance for cases OBRA terminated from AFDC (and, thus, from eligibility for Medicaid) depended heavily on whether they were employed, their job seniority, and their hours of employment. Industrial sector and site also influenced health insurance coverage. Many families in the low-benefit sites had no health insurance 1-1/2 to 2 years after they lost AFDC because of their lack of either Medicaid or private insurance.

3. An AFDC recipient who continues to work full-time in a low-wage job may not be able to become independent from welfare by increasing the number of work hours, despite program incentives to do so. Policies designed to provide incentives to become independent from welfare by encouraging employment should take into account the diversity of AFDC recipients' employment situations. For example, most of those we studied whose benefits OBRA reduced were working part-time and, thus, could potentially increase their monthly earnings by working more hours, the labor market permitting. But other recipients--most of those we studied whose benefits OBRA terminated--were working in jobs with so little pay that they were quite poor even when they worked full-time. Still other recipients were unemployed for prolonged periods. These findings suggest that independence from welfare is not simply a matter of increasing work effort and is constrained by available wages and by opportunities for employment.

BLANK PAGE

NINETY-SEVENTH CONGRESS
DAN ROSTENKOWSKI, ILL., CHAIRMAN

SAM M. GIBBONS, FLA.
J. J. PICKLE, TEX.
CHARLES B. RANGEL, N.Y.
FORTNEY H. (PETE) STARK, CALIF.
JAMES R. JONES, OKLA.
ANDY JACOBS, JR., IND.
HAROLD FORD, TENN.
KEN HOLLAND, S.C.
WILLIAM M. BRODHEAD, MICH.
ED JENKINS, GA.
RICHARD A. GEPHARDT, MO.
THOMAS J. DOWNEY, N.Y.
CECIL (CEC) HEFTEL, HAWAII
WYCHE FOWLER, JR., GA.
FRANK J. GUARINI, N.J.
JAMES M. SHANNON, MASS.
MARTY RUSSO, ILL.
DON J. PEASE, OHIO
KENT HANCE, TEX.
ROBERT T. MATSUI, CALIF.
DON BAILEY, PA.
BERYL ANTHONY, JR., ARK.

BARBER B. CONABLE, JR., N.Y.
JOHN J. DUNCAN, TENN.
BILL ARCHER, TEX.
GUY VANDER JAGT, MICH.
PHILIP M. CRANE, ILL.
BILL FRENZEL, MINN.
JAMES G. MARTIN, N.C.
L. A. (SKIP) BAFALIS, FLA.
RICHARD T. SCHULZE, PA.
BILL GRADISON, OHIO
JOHN H. ROUSSELOT, CALIF.
W. HENSON MOORE, LA.

JOHN J. SALMON, CHIEF COUNSEL
JOSEPH K. DOWLEY, ASSISTANT CHIEF COUNSEL
ROBERT J. LEONARD, CHIEF TAX COUNSEL
A. L. SINGLETON, MINORITY CHIEF OF STAFF

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

TELEPHONE (202) 225-3625

June 15, 1982

The Honorable Charles A. Bowsher
Comptroller General
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

We would like to request formally that the General Accounting Office (GAO) undertake a major study of the impacts of the changes in the AFDC program as a result of the Omnibus Reconciliation Act of 1981.

As you know, this Act made major changes in the Aid to Families with Dependent Children (AFDC) program particularly with respect to earnings disregards. Under previous law, for a mother with children and earned income the AFDC benefit was reduced by approximately $0.40 for each $1.00 of earnings. Under current law, the benefit will be reduced by $0.70 to $1.00 for each $1.00 of earnings. In addition, medicaid benefits will be foregone if the family loses eligibility for AFDC benefits. These changes in earnings disregards could result in some families deciding not to work and thus receive a full AFDC benefit and retain medicaid. If this occurs to a substantial extent, the estimated budgetary saving of some $900 million to the AFDC program plus the medicaid savings will not occur, and indeed these changes could cost money rather than save money. The $900 million represents the CBO estimated savings to both federal and state governments for fiscal year 1982.

Given that no one definitely knows what will be the outcome of these major changes in the law, it is imperative that GAO undertake a careful study of these impacts. In particular the study should:

1. Ascertain the economic well-being of the individuals (households) who are removed from the AFDC rolls and to a lesser extent those who receive a reduced benefit as a result of these changes. The study should examine their well-being six months to one year after the reductions have taken place. The definition of economic well-being should take into account changes in in-kind income such as food stamps and medicaid benefits.

2. Determine what happened to the earnings patterns of those who were removed. Namely, did the individuals continue to work as they had in the past, did they increase their work effort to make up for the loss of income due to the loss of benefits, or did the families reduce their work effort and become fully dependent upon public assistance for their support?

3. With the benefit of hindsight and the findings from the study, estimate the budgetary impact of the earnings disregards changes.

4. Examine whether these AFDC changes had any impact upon family or household composition.

In addition, the study should provide information about the demographic, income and resource characteristics of AFDC families both before and after the budget reductions. Every two years since 1967 a characteristic study of AFDC recipients has been done. The 1981 survey, however, was not done, and no survey has been planned for the next year. This study, because of its longitudinal nature, can answer some questions about how often AFDC recipients move on and off AFDC rolls. Finally, this data may provide information about whether reductions in the CETA and unemployment compensation programs had any effect upon the AFDC program.

In doing the study, we would request that GAO operate under the following guidelines:

1. The study should be completed as expeditiously as possible and by February 1, 1984, at the latest.

2. The study would answer the questions posed at the beginning of this letter.

3. Before actual field work begins, the study obviously must be carefully designed. GAO would have responsibility for this design and its implementation. However, in preparing the design, we would hope that GAO would use the expertise of the Congressional Research Service of the Library of Congress (CRS) and the Congressional Budget Office (CBO) and that all three agencies would be in general agreement as to the efficacy of the design.

4. To provide an important communications link with the other agencies and Committee on Ways and Means staff, to enhance credibility and to provide guidance to GAO on major research policy questions, a research policy committee should be established. This group would be comprised of researchers from CBO, CRS, Committee staff and GAO plus two or three respected outside consultants.

5. Finally, we hope that GAO would be open to having separate and distinct parts of the research plan done by CRS or CBO. The determination and analysis of whether the AFDC changes affect the number of new families joining the rolls might be a case in point.

This is an important study, and we are glad that GAO is willing to devote the resources necessary to complete the task. This is the first time that the Committee has requested a study of this nature from GAO. In order not to compromise the research implications of the study, and to encourage families to divulge information readily, we must insist that the data collected by the study not be given to other agencies of the government with information identifying individual recipients. The strict confidentiality of the data should be maintained. At the same time, we would hope that public use files of this data would be made available and that CBO and CRS would have access to the data when it becomes available.

This is a large task, and we recognize that in any study it is difficult to reach definitive conclusions. However, the major focus of the study should be on the economic well-being and labor supply impact of the Reconciliation Act changes as would have been perceived by public assistance offices. If you have any questions, please contact Wendell Primus or Martha Phillips of the Committee staff.

Sincerely,

Barber B. Conable, Jr.
Ranking Minority Member

Dan Rostenkowski
Chairman

cc: Dr. Alice M. Rivlin
Director
Congressional Budget Office

The Honorable Gilbert Gude
Director
Congressional Research Service
Library of Congress

DR/WP:jl

HAROLD FORD, TENN., CHAIRMAN
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION

FORTNEY H. (PETE) STARK, CALIF.
DON J. PEASE, OHIO
KENT HANCE, TEX.
ROBERT T. MATSUI, CALIF.
WYCHE FOWLER, JR., GA.
BARBARA B. KENNELLY, CONN.

CARROLL A. CAMPBELL, JR., S.C.
W. HENSON MOORE, LA.
BILL FRENZEL, MINN.
WILLIAM M. THOMAS, CALIF.

Ex Officio:
DAN ROSTENKOWSKI, ILL.
BARBER B. CONABLE, JR., N.Y.

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

DAN ROSTENKOWSKI, ILL., CHAIRMAN
COMMITTEE ON WAYS AND MEANS

JOHN J. SALMON, CHIEF COUNSEL
A. L. SINGLETON, MINORITY CHIEF OF STAFF

ALLEN C. JENSEN
SUBCOMMITTEE STAFF DIRECTOR
FRANCIS M. CANAVAN
SUBCOMMITTEE COUNSEL

May 8, 1984

Dr. Eleanor Chelimsky
Director
Program Evaluation and
  Methodology Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Dr. Chelimsky:

I would like to take this opportunity to thank you for testifying last Wednesday before the Subcommittee on Public Assistance and Unemployment Compensation. We deeply appreciate the work that the General Accounting Office has done to help us understand the effects of the 1981 reductions in AFDC and look forward to your further analyses of the data.

A number of questions were raised at the hearing. Below, I identify several of particular interest to me which I ask you to consider as you continue your analyses. I would appreciate the answers to questions 1-4 as soon as possible and recognize that the other questions will require considerably more analysis before a response can be provided.

1. Table 19 of your report shows the effect of OBRA on earnings but does not include those families who were working pre-OBRA but not working post-OBRA. Please revise this table to include these families.

2. Please provide any additional background characteristics data, including types of jobs held by the families who lost AFDC eligibility, the number of hours worked, and the child care requirements of these families.

3. To what extent did the recession and/or unemployment affect the earnings level and hours worked by the AFDC recipients who lost eligibility?

4. On page 49 of your report, you show the poverty status of former AFDC families after OBRA implementation. For comparison purposes, can you provide pre-OBRA poverty data for these families?

Page 2
Dr. Chelimsky

5. Why do the savings and caseload effects appear to be eroding over time? (To answer this question, it will probably be necessary to extend the national component of the study for at least 12 months.)

6. To what extent can the variation in effects across sites be explained?

7. Based on the GAO data, is there any evidence that OBRA induced changes in household composition, such as remarriage or changes in stepparent relationships?

8. Your report indicates that AFDC recipients in several sites lost food stamp benefits at the same time that AFDC was terminated. Since most of these families would appear to have gross incomes below the food stamp limit of 130 percent of poverty, how do you explain the simultaneous loss of food stamps?

9. Is there evidence of any change in the rate at which AFDC recipients now begin work once on AFDC?

10. Can you develop a more comprehensive definition of total income than that used in your initial analyses. For example, on table 19 which displays average monthly respondent income could you include the insurance value of Medicaid pre-OBRA and reflect the loss of Medicaid post-OBRA. A separate table might also add the income of other household members and the value of housing subsidies.

11. Does further analysis suggest any additional health-related findings?

Thank you again for taking the time to brief the Subcommittee on the results of your initial analysis of the 1981 AFDC cuts. I look forward to your further work in this area and hope that you will be able to respond to each of the questions I have raised in this letter.

Sincerely,

Harold Ford

HAROLD FORD
Chairman

TABLE 52-55

This appendix contains tables 52-55, which give information on our sample and universe sizes (table 52), interview completion rates (table 53), standard errors of estimate (table 54), and state rankings of the OBRA provisions that affected AFDC caseload and payments (table 55).

Table 52

Sample and Estimated Universe Sizes for Case Record Reviews by Site[a]

Review period	Boston	Dallas	Memphis	Milwaukee	Syracuse
Base					
Earner	992	384	371	778	437
	(992)	(602)	(1,160)	(5,448)	(822)
Nonearner	507	250	238	501	259
	(7,129)	(8,852)	(18,456)	(22,569)	(4,426)
OBRA					
Earner	1,171	391	385	617	425
	(1,171)	(565)	(1,061)	(4,904)	(678)
Nonearner	507	253	240	509	267
	(7,147)	(9,371)	(18,749)	(24,421)	(4,817)
Post-OBRA					
Earner	321	72	141	333	143
	(321)	(249)	(283)	(1,664)	(319)
Nonearner	304	148	148	300	158
	(6,721)	(8,740)	(17,738)	(25,203)	(5,050)

[a] Numbers in parentheses are estimated universe sizes.

Table 53

Interview Completion Rates by Site

	Boston	Dallas	Memphis	Milwaukee	Syracuse
Original sample	175	158	165	165	168
Unable to locate	17	14	13	9	7
Refused	25	6	20	17	12
Deceased	--	1	--	--	--
Incarcerated	--	--	--	--	1
Not qualified	--	2	--	1	--
Moved away	5	2	5	5	1
Completed interviews	128	133	127	133	147
Response rate[a]	73%	84%	77%	81%	88%

[a] The test of equality of response rates shows a statistically reliable difference at the .01 level, where, given the overall response rate, the response rates were higher than expected in Syracuse and lower than expected in Boston. When clustered reasons are contrasted--refusals versus other reasons for no response--there is no measured difference between the sites.

Table 54

Standard Errors of Estimate for Percentages Derived From Each Full Data Set by Site

Data set	Boston[a]		Dallas		Memphis		Milwaukee		Syracuse	
	50%	20%	50%	20%	50%	20%	50%	20%	50%	20%
Case records										
Base period										
Earners	--	--	1.5	1.2	2.1	1.7	1.7	1.3	1.6	1.3
Nonearners	2.1	1.7	3.1	2.5	3.2	2.6	2.2	1.8	3.0	2.4
OBRA period										
Earners	--	--	1.4	1.1	2.0	1.6	1.6	1.2	1.5	1.2
Closed cases	--	--	1.9	1.5	2.8	2.2	2.6	2.1	2.4	1.9
Nonearners	2.1	1.7	3.1	2.5	3.2	2.6	2.2	1.8	3.0	2.4
Post-OBRA period										
Earners	--	--	5.0	4.0	3.0	2.4	2.5	2.0	3.1	2.5
Nonearners	2.8	2.2	4.1	3.3	4.1	3.3	2.9	2.3	3.9	3.1
Interviews										
Full sample	4.2	3.3	3.4	2.8	4.1	3.3	4.4	3.5	3.0	2.4
Working at interview	4.5	3.6	4.2	3.3	5.2	4.1	5.0	4.0	3.2	2.6

[a] Earner "samples" in Boston consist of the universe of cases with earnings in 3 city welfare offices and, thus, standard errors do not exist for these data sets.

Table 55

OBRA Provisions Ranked by the States as Affecting AFDC Caseloads and Payments[a]

	Number of states ranking the provisions						
Provision	Mean[b]	1st	2nd	3rd	4th	5th	No[c]
Caseload							
150% gross-income limit	1.3	26	9	5	1	1	4
Stepparent income	2.2	8	12	6	2	1	17
Monthly reporting	2.6	2	4	2	2	1	35
Earned income[d]	3.0	6	11	11	9	6	3
18-21-yr-old dependents	3.0	2	5	5	5	2	27
$1,000 asset limit	3.5	0	2	4	4	2	34
3rd-trimester pregnancy limit	3.7	0	1	4	6	2	33
Payments							
150% gross-income limit	1.7	14	9	3	1	0	13
Earned income[d]	2.1	17	4	6	3	3	7
Stepparent income	2.4	4	10	9	2	0	15
18-21-yr-old dependents	3.1	1	6	5	6	2	20
3rd-trimester pregnancy limit	3.3	1	3	5	4	3	24
$1,000 asset limit	3.5	0	1	5	6	1	27

[a] Includes only provisions ranked by at least 20 percent of the states.

[b] The mean rank for each provision is calculated for all states that ranked that provision; 7 states did not respond to the question on caseloads, and 13 did not respond to the question on payments.

[c] The number of states providing some information but not specifically ranking the provision.

[d] Includes the work-expense and child-care limits, earned-income tax credit, 4-month limit on earned-income disregard, disregard calculation on net income, and combinations of these provisions as reported by individual states.

ANALYSIS OF THE EFFECT OF OBRA

ON AFDC-BASIC CASELOAD AND PAYMENTS

We used an interrupted time series design to evaluate changes resulting from OBRA in the AFDC-Basic caseload and payments, analyzing the data with "ARIMA," or "autoregressive integrated moving average," modeling techniques.[1] In general, the intervention studied in an interrupted time series analysis should be a discrete event that occurs at a well-defined point in time and that can be expected to be observable as an immediate change in the outcome measure. In regression terms, the intervention is specified as a dummy variable that changes from 0 to 1 when the event occurs. For example, in our analysis of OBRA's effect (the intervention) on the AFDC-Basic caseload (the outcome), the dummy variable changed from 0 to 1 on the date on which OBRA became effective in October 1981. However, since we know that some states did not fully implement the OBRA provisions until several months after October 1981, our analysis models OBRA's effect as a gradual reduction over several months until it reached a new and stable level. ARIMA modeling is particularly well suited for this situation.

The statistical analysis of an interrupted time series is iterative: alternative models are identified and tested until a model is found that is both statistically adequate and parsimonious. The details of the process of identification, estimation, and diagnosis are in McCleary and Hay and Gottman.[2] We used the ARIMA program in the SAS/ETS program library for our statistical analysis.[3]

ARIMA modeling refers to a class of stochastic process models that empirically describe changes in a variable over time as a function of the past behavior of that variable.[4] We used it as an alternative to classical regression approaches. However, as McCleary and Hay note,

---

[1] R. McCleary and R. A. Hay, Applied Time Series Analysis for the Social Sciences (Beverly Hills, Calif.: Sage, 1980).

[2] McCleary and Hay (see footnote 1 above) and J. M. Gottman, Time Series Analysis: A Comprehensive Introduction for Social Scientists (Cambridge, Eng.: Cambridge University Press, 1981).

[3] SAS Institute, SAS/ETS Users Guide (Cary, N.C.: 1982).

[4] G. E. P. Box and G. M. Jenkins, Time Series Analysis: Forecasting and Control, rev. ed. (San Francisco: Holden-Day, 1976), and G. E. P. Box and G. C. Tiao, "Intervention Analysis with Applications to Economic and Environmental Problems," Journal of the American Statistical Association, 70 (1975), 70-92.

> "The reader who is familiar with the more widely used regression approaches to time series analysis (structural equation or econometric models) should not assume that ARIMA models are substantially different than regression models. While ARIMA models require the novel input-output explanation, the two approaches are in fact identical. The only real difference between ARIMA and regression approaches to time series analysis is a practical one. Whereas regression models can be built on the bases of prior research and/or theory, ARIMA models must be built empirically from the data. Because ARIMA models must be identified from the data to be modeled, relatively long series are required. . . . The reader may use [no fewer than 50 observations as a] rule of thumb when deciding whether to analyze time series data from an ARIMA or regression approach. When relatively long time series are available, an empirical ARIMA approach will ordinarily give the best results. But when relatively short series are available, regression approaches informed by prior research and/or theory will give the best results."[5]

The ARIMA approach is often conceptually more appropriate to the analysis of an interrupted time series quasi-experiment.

CASELOAD: INITIAL ANALYSES

At the first step in building a statistical model of the effect of OBRA on the caseload, we attempted to identify an ARIMA model that would adequately explain the changes in the caseload between January 1973 and September 1981, before the implementation of OBRA. However, we could identify no ARIMA model that was statistically adequate. We believe that the problem stems from the changes in slope (the rate of change in caseload size) early in 1976 and in the middle of 1979 (see figure 8). Such shifts are often related to some change in economic conditions or program administration. In examining several variables that might substantively be expected to affect the caseload, we found a significant cross-correlation between the caseload and the number of unemployed women who maintained families 2 months previously ($r = .28$). The model we selected incorporates unemployment as a concomitant time series, represents the intervention as a gradual and permanent change in level, and uses an ARIMA $(2,1,0)(2,0,0)_{12}$ model without a constant. The parameter estimates for the model (degrees of freedom = 118) are as follows.[6]

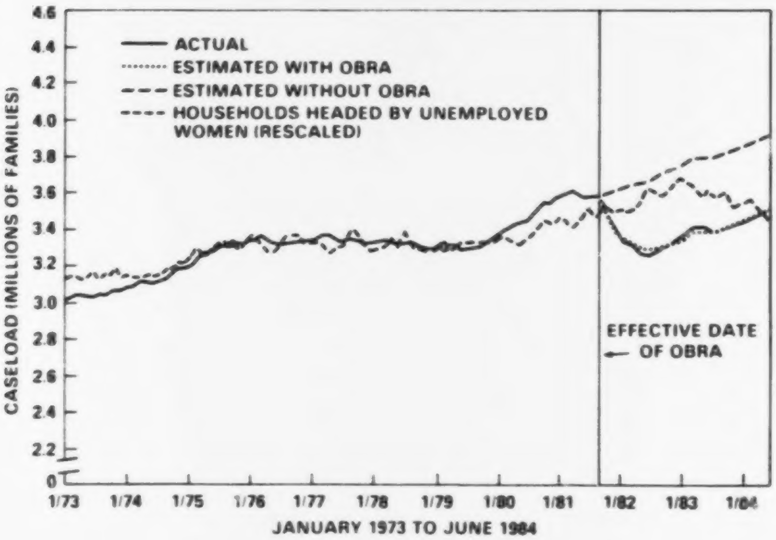
---

[5] McCleary and Hay, p. 20.

[6] The tests of statistical significance of individual ARIMA parameters are two-tailed t-tests. Tests of the other parameters are one-tailed t-tests. The degrees of freedom for the tests

FIGURE 8

THE NATIONAL AFDC-BASIC CASELOAD AND HOUSEHOLDS HEADED BY UNEMPLOYED WOMEN JANUARY 1973 TO JUNE 1984



ARIMA

$\phi_1 = 0.25$ with $t = 3.08$, $p < .01$
$\phi_2 = 0.18$ with $t = 2.22$, $p < .05$
$\phi_{12} = 0.28$ with $t = 3.07$, $p < .01$
$\phi_{24} = 0.30$ with $t = 2.92$, $p < .01$

Unemployment

$\omega_0^* = 0.0533$ with $t = 1.74$, $p < .05$

Intervention

$\omega_0 = -91.67$ with $t = -8.81$, $p < .01$
$\delta_1 = 0.814$ with $t = 20.17$, $p < .01$

Goodness of fit

$\chi^2 = 28.41$ ($df = 20$), $p = .10$

The ARIMA parameters (ϕ_1, ϕ_2, ϕ_{12}, ϕ_{24}) represent the weights that describe the effects of past observations on a subsequent

---

depend on the number of data points and parameters, and we have reported them separately for each analysis.

observation. The subscripts of the parameters designate the actual lags. For example, ϕ_1 refers to the immediately preceding observation, and ϕ_{12} refers to the observation 12 months earlier (also called a "seasonal" parameter).

The 1 in (2,1,0) is called a "differencing" parameter and accounts for the general upward trend in the series. The ω_0^* parameter for unemployment is interpreted as a "regression" parameter that expresses the relationship between the number of unemployed women who maintain families and the AFDC-Basic caseload.

The ω_0 and δ_1 parameters represent the estimates of effect. The parameter ω_0 is an estimate of the reduction in caseload (in thousands of cases) in the first month of OBRA's implementation. The δ_1 parameter indicates the rate at which OBRA's effect on the caseload reaches its asymptote; the closer the value is to 1, the slower the rate. The estimate of the asymptotic change in level is $\Sigma\delta_1^k\omega_0$. The limit as k approaches infinity is $\omega_0/(1 - \delta_1)$.

Finally, the χ^2 value expresses the adequacy with which the statistical model fits the data. In ARIMA models, the probability associated with the χ^2 test should be higher than .05 and, at best, considerably higher.

By conventional statistical criteria, we see that all parameter values for the initial caseload model are statistically significant ($p < .05$ or $< .01$); that is, they are unlikely to have occurred by chance alone. The χ^2 test also indicates that the overall model is adequate, although only marginally. From this model of OBRA's effect on the caseload, the asymptotic decrease in the caseload from its expected level in the absence of OBRA is estimated to be 492,849 cases.

However, forecasts of the caseload after OBRA's implementation that are based on the model conform to the actual caseload only for the months immediately after OBRA. After the first 8 to 10 months, the actual caseload shows a trend back toward its level before OBRA. In our initial analyses, we hypothesized that this divergence of the caseload from the model indicates an erosion of OBRA's effect in the long run, and we said that further analyses would be necessary in order to clarify the long-term effects.

CASELOAD: FURTHER ANALYSES

After we published our initial analyses of the caseload data, we obtained an additional 12 months of caseload data. Our first step in reanalyzing the caseload series was to replicate the initial model exactly. The parameter estimates for this model (degrees of freedom = 130) are as follows.

ARIMA

$\phi_1 = 0.25$ with $t = 3.28$, $p < .01$
$\phi_2 = 0.14$ with $t = 1.86$, $p < .05$

$\phi_{12} = 0.30$ with $t = 3.59$, $p < .01$
$\phi_{24} = 0.27$ with $t = 2.86$, $p < .01$

Unemployment

$\omega^*_0 = 0.0508$ with $t = 1.75$, $p < .05$

Intervention

$\omega_0 = -90.30$ with $t = -9.05$, $p < .01$
$\delta_1 = 0.796$ with $t = 20.50$, $p < .01$

Goodness of fit

$\chi^2 = 34.70$ (df = 20), $p = .02$

Although all the parameter estimates remain statistically significant, the goodness-of-fit test (χ^2) indicates that the initial statistical model does not adequately fit the extended time series.

An examination of the available diagnostic information suggested that an additional ARIMA parameter at lag 5 was necessary.[7] The parameter estimates for the model (degrees of freedom = 129) are as follows.

ARIMA

$\phi_1 = 0.24$ with $t = 3.21$, $p < .01$
$\phi_2 = 0.11$ with $t = 1.52$, $p < .10$
$\phi_5 = 0.22$ with $t = 3.03$, $p < .01$
$\phi_{12} = 0.25$ with $t = 2.97$, $p < .01$
$\phi_{24} = 0.28$ with $t = 3.14$, $p < .01$

Unemployment

$\omega^*_0 = 0.0447$ with $t = 1.61$, $p < .10$

Intervention

$\omega_0 = -87.42$ with $t = -9.29$, $p < .01$
$\delta_1 = 0.802$ with $t = 21.09$, $p < .01$

Goodness of fit

$\chi^2 = 25.44$ (df = 19), $p = .15$

---

[7] The use of seasonal parameters at lags other than those that make intuitive sense (as lag 12 does for monthly data) is controversial (see McCleary and Hay). Our primary concern was with obtaining an adequate overall fit of the time series rather than with replicating the model.

This model is statistically adequate, but two of the parameters (ϕ_2 and ω_0^*) are now only marginally significant ($p < .10$). Removing both parameters at once gives a model that is no longer statistically adequate ($\chi^2 = 37.11$, df = 20, $p = .011$). Removing either parameter alone also results in inadequate models ($\omega_0^*:\chi^2 = 30.08$, df = 19, $p = .051$; $\phi_2:\chi^2 = 32.12$, df = 20, $p = .042$). Because we thought that the overall fit of the final model was important, we decided to retain the full model with the marginally significant parameters. The estimate of OBRA's effect based on this model is a reduction of 441,515 cases.

Finally, we tried this model of the extended time series on the series we analyzed in our initial report. The parameter estimates for the model (degrees of freedom = 117) are as follows.

ARIMA

$\phi_1 = 0.24$ with $t = 3.03$, $p < .01$
$\phi_2 = 0.14$ with $t = 1.72$, $p < .05$
$\phi_5 = 0.22$ with $t = 2.78$, $p < .01$
$\phi_{12} = 0.22$ with $t = 2.43$, $p < .05$
$\phi_{24} = 0.33$ with $t = 3.34$, $p < .01$

Unemployment

$\omega_0^* = 0.0487$ with $t = 1.64$, $p < .10$

Intervention

$\omega_0 = -88.17$ with $t = -8.88$, $p < .01$
$\delta_1 = 0.827$ with $t = 21.19$, $p < .01$

Goodness of fit

$\chi^2 = 19.80$ (df = 19), $p = .407$

In comparing this model ($\chi^2 = 19.8$) to the initial model ($\chi^2 = 28.4$), we found that the revised model fits the data better. The caseload reduction given the shorter series and the revised model is 509,318 cases. The discrepancy between the estimate of 493,000 in the initial analysis and 509,318 with the revised model (and the short series) must stem from the additional seasonal parameter (ϕ_5) and represents an increase of 3 percent (based on the estimate of 509,318 cases). That the revised model is significantly better than our initial analysis means that we should use the revised estimate as our short-run estimate of the effect of OBRA.

Applying the revised model to the extended time series, our estimate of the long-term effect of OBRA on the AFDC-Basic caseload is 442,000. One reason for the difference between the short-run estimate of 509,000 cases and the long-run estimate of 442,000 cases is that, statistically, the longer series enables us to make a better estimate of the final level of the caseload. The gradual change in caseload level has a better chance of stabilizing with the passage of time. Another reason is that the immediate effect of OBRA more heavily influences an estimation procedure that uses a shorter series.

THE ANALYSIS OF PAYMENTS

The model for estimating OBRA's effect on payments did not require incorporating a second time series to represent concomitant changes in economic conditions. An ARIMA (0,1,0)(1,0,0) model fits the pre-OBRA payment time series quite well, using the χ^2 goodness-of-fit test. This model accounts for the general upward trend in costs and for a seasonal pattern in which the observation at time t is closely related to the observation at time t - 12 (relatively common in monthly data).

The intervention is modeled as a gradual and permanent change. The parameter estimates for the model (degrees of freedom = 121) are as follows.

ARIMA

$\phi_0 = 0.004$ with $t = 2.72$, $p < .01$
$\phi_{12} = 0.44$ with $t = 5.24$, $p < .01$

Intervention

$\omega_0 = -0.0257$ with $t = -3.13$, $p < .01$
$\delta_1 = 0.723$ with $t = 5.59$, $p < .01$

Goodness of fit

$\chi^2 = 24.94$ (df = 22), $p = .30$

With this model, the monthly change in AFDC-Basic payments is $92.78 million. It is important to remember in using this estimate that the revised caseload estimate of 441,515 is based on an additional 12 months of data and is smaller than the initial estimate. It is entirely reasonable to suggest that the estimation of savings from OBRA will also have to be lowered when (and if) additional data become available.

POTENTIAL LIMITATIONS OF THE ANALYSES

The validity of the estimates of reductions in caseload and payments derived from the interrupted time series analyses are contingent on the resolution of concerns regarding both the statistical analysis and alternative explanations. The concern regarding statistical analysis is in the identification of the ARIMA model and the specification of the intervention model, including the time of intervention. The identification of an ARIMA model is iterative and depends on the analyst's ability to use a set of diagnostic guidelines to arrive at a statistically adequate model. Often there are several statistically adequate models; the one that is chosen may or may not correspond to the "true" underlying stochastic process.

Similarly, the choice of an intervention model is based on the analyst's knowledge of the substantive area and an understanding of the manner in which the intervention was implemented. As with the ARIMA model, the intervention model is subject to tests of statistical adequacy. Different choices can have profound effects on the estimates.

In our analyses of caseload and payments, the choice of an intervention model is supported both by our knowledge of the pattern of implementation of the individual OBRA provisions and by the pattern of change in the actual series. In addition, the implementation of the intervention was fairly abrupt, given that no state implemented the OBRA provisions on earned income prior to October 1981 and that many of the states implemented them within 3 to 4 months from October. Whereas the models for both caseloads and payments are statistically adequate, the caseload model is only marginally adequate and some of its parameters may be unstable. It is important to recognize that the long-run estimate of caseload reduction is based on a time series that is 12 months longer than the payment time series.

The other concern for validity is the possibility of alternative explanations for the reductions in caseload and payments. One alternative is that OBRA was implemented at the peak of AFDC participation and that the caseload and payments declined (or regressed) naturally toward some average level. This explanation seems relatively implausible, since there is no reason to believe that the long upward trend in both series would change abruptly when OBRA was implemented.

A second, more plausible observation is that the caseload seems to have begun leveling off in April 1981. Although an anticipatory response to OBRA by the states must be considered, OBRA was not passed until August, and no state reported having implemented the OBRA provisions before October. There may have been other more subtle anticipations of OBRA's implementation, however.

Finally, one concern generic to all interrupted time series analyses should be considered. These analyses assume that the underlying structural relationships of the variables being studied are the same before and after the intervention. It may be that an upward (or downward) trend in a series can go only so far before it reaches some natural limit. It is possible that the AFDC caseload would have leveled off at the point at which all eligible families were being served and no families had changes in their eligibility. However, the past behavior of the series gives no indication that this occurred. A ceiling imposed by other factors, such as the states' having a limit on spending, would lower the estimated reduction by an unknown amount.

Alternatively, the fundamental relationship between the dependent variable time series and the independent variable time series in an ARIMA model might change as a result of the intervention. To supplement the ARIMA (stochastic) model in estimating the effect of OBRA, we used the relationship between the number of unemployed women maintaining families and the AFDC-Basic caseload. If the changes OBRA made to AFDC had affected the basic program rules by which households headed by unemployed women were made the target population, our model would have been inappropriate. However, OBRA should have strengthened the relationship between the two variables, since it reduced the proportion of cases with earned income.

TABLES 56-61

This appendix contains tables 56-61, which give information by month for earners and nonearners on case closings and changes in employment status (tables 56 and 57), for earners and nonearners on income and its sources (tables 58 and 59), and on child care for earners whose cases were terminated because of OBRA (tables 60 and 61).

Table 56

Cumulative Proportions of Earner and Nonearner Cases Closed in the Base and OBRA Periods, Adjusted for Eligibility Changes, by Month and Site[a]

Month after sample month	Boston[b] Base	Boston[b] OBRA	Dallas Base	Dallas OBRA	Memphis Base	Memphis OBRA	Milwaukee Base	Milwaukee OBRA	Syracuse Base	Syracuse OBRA
Earners			(n=263)	(n=169)	(n=264)	(n=178)	(n=371)	(n=505)	(n=287)	(n=255)
1			0.11	0.11	0.07	0.24**	0.07	0.06	0.06	0.05
2			0.18	0.15	0.14	0.27	0.08	0.08	0.09	0.08
3			0.23	0.20	0.19	0.28	0.10	0.17	0.13	0.13
4			0.32	0.27	0.24	0.30	0.12	0.23	0.19	0.16
5			0.40	0.31	0.25	0.34	0.13	0.28	0.22	0.18
6			0.44	0.42	0.30	0.39	0.14	0.31	0.25	0.23
7			0.46	0.48	0.33	0.43	0.15	0.34	0.28	0.27
8			0.51	0.51	0.35	0.46	0.16	0.37	0.30	0.33
9			0.53	0.57	0.38	0.49	0.18	0.39	0.30	0.34
10			0.56	0.60	0.41	0.51	0.20	0.40	0.32	0.38
11			0.57	0.62	0.42	0.52	0.22	0.43	0.34	0.42
12			0.58	0.64	0.44	0.53*	0.23	0.51**	0.35	0.43*
12 minus 1			0.47	0.53	0.36	0.29*	0.16	0.45**	0.29	0.38*
Nonearners			(n=236)	(n=226)	(n=224)	(n=218)	(n=468)	(n=505)	(n=247)	(n=261)
1			0.03	0.04	0.04	0.07	0.03	0.01**	0.03	0.02
2			0.08	0.11	0.06	0.08	0.04	0.03	0.06	0.05
3			0.14	0.13	0.07	0.11	0.07	0.10	0.09	0.07
4			0.18	0.16	0.08	0.11	0.09	0.14	0.12	0.09
5			0.24	0.20	0.09	0.13	0.13	0.16	0.15	0.11
6			0.28	0.24	0.11	0.16	0.14	0.17	0.16	0.14
7			0.32	0.28	0.13	0.17	0.15	0.19	0.20	0.18
8			0.36	0.33	0.16	0.19	0.18	0.20	0.24	0.18
9			0.38	0.36	0.17	0.21	0.19	0.22	0.26	0.20
10			0.40	0.41	0.19	0.23	0.21	0.25	0.27	0.23
11			0.42	0.43	0.21	0.23	0.22	0.26	0.28	0.24
12			0.44	0.45	0.23	0.26	0.24	0.29*	0.29	0.26
12 minus 1			0.41	0.41	0.19	0.18	0.22	0.28**	0.26	0.23

[a] Numbers may not add because of rounding.
[b] Information unavailable for performing the simulation on the base-period sample.

*Difference significant at the .05 level.
**Difference significant at the .01 level.

Table 57

Cumulative Proportions of Earners and Nonearners Who Changed Employment Status in the Base and OBRA Periods, Adjusted for Eligibility Changes, by Month and Site[a]

Month after sample month	Boston[b] Base	Boston[b] OBRA	Dallas Base	Dallas OBRA	Memphis Base	Memphis OBRA	Milwaukee Base	Milwaukee OBRA	Syracuse Base	Syracuse OBRA
Earners			(n=263)	(n=169)	(n=264)	(n=178)	(n=371)	(n=505)	(n=287)	(n=255)
1			0.06	0.14**	0.06	0.12*	0.11	0.07*	0.07	0.07
2			0.15	0.21	0.11	0.15	0.16	0.16	0.10	0.12
3			0.18	0.25	0.14	0.15	0.18	0.22	0.11	0.15
4			0.25	0.27	0.16	0.17	0.21	0.25	0.14	0.16
5			0.27	0.30	0.17	0.22	0.24	0.29	0.17	0.22
6			0.27	0.33	0.20	0.24	0.26	0.32	0.18	0.24
7			0.29	0.35	0.22	0.25	0.30	0.35	0.25	0.30
8			0.29	0.36	0.23	0.26	0.34	0.38	0.25	0.33
9			0.30	0.36	0.25	0.26	0.36	0.40	0.26	0.35
10			0.30	0.37	0.26	0.30	0.38	0.41	0.27	0.36
11			0.30	0.38	0.26	0.30	0.39	0.41	0.28	0.38
12			0.31	0.38	0.27	0.32	0.40	0.43	0.29	0.38*
12 minus 1			0.25	0.24	0.21	0.20	0.29	0.35*	0.22	0.30*
Nonearners			(n=236)	(n=226)	(n=224)	(n=218)	(n=468)	(n=505)	(n=247)	(n=261)
1			0.01	0*	0.01	0.01	0.01	0.01	0.01	0.02
2			0.01	0	0.01	0.01	0.01	0.02	0.01	0.02
3			0.03	0.01	0.02	0.02	0.01	0.03	0.02	0.02
4			0.03	0.01	0.02	0.02	0.03	0.04	0.03	0.03
5			0.05	0.01	0.02	0.02	0.04	0.05	0.04	0.04
6			0.07	0.02	0.03	0.03	0.07	0.05	0.05	0.05
7			0.08	0.03	0.05	0.03	0.07	0.06	0.06	0.05
8			0.09	0.04	0.06	0.04	0.08	0.06	0.06	0.06
9			0.09	0.05	0.08	0.06	0.09	0.06	0.07	0.07
10			0.11	0.06	0.09	0.08	0.09	0.07	0.07	0.08
11			0.12	0.08	0.10	0.08	0.10	0.07	0.08	0.09
12			0.12	0.08	0.11	0.08	0.11	0.07*	0.09	0.10
12 minus 1			0.11	0.08	0.10	0.07	0.10	0.05**	0.08	0.08

[a] Numbers may not add because of rounding.
[b] Information unavailable for performing the simulation on the base-period sample.

*Difference significant at the .05 level.
**Difference significant at the .01 level.

Table 58

Income and Its Sources in the Earner Caseload in the Base, OBRA, and Post-OBRA Sample Months by Site[a]

Source[c]	Boston[b]			Dallas			Memphis			Milwaukee			Syracuse		
	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post
AFDC and food stamps															
Average $ amount	219	--	319	259	245	269	250	246	277	296	278	340	308	302	333
% of total income	--	--	--	48	49	71	47	49	70	35	35	51	39	40	51
AFDC															
Average $ amount	193	201	234	95	80	69	97	85	80	282	262	271	247	231	209
% of total income	--	--	--	16	17	21	18	17	22	31	33	44	29	31	33
Food stamps															
% cases receiving	42.5	40.2	81.0	95.3	94.3	96.6	88.4	96.5	96.4	35.0	33.3	86.8	84.2	88.9	97.2
Average $ amount	61	--	105	175	174	204	171	168	205	44	56	79	72	81	135
% of total income	--	--	--	32	34	53	32	32	50	6	8	11	10	11	20
Other unearned income															
% cases receiving	1.0	1.2	0.3	0.5	0.5	4.2	2.2	1.1	0.7	3.7	5.6	7.5	11.4	8.0	6.3
Average $ amount	--	--	--	d	d	d	40	d	d	151	127	153	79	82	121
% of total income	--	--	--	d	d	d	7	d	d	18	16	24	10	13	20
Earned income															
Average $ amount	--	--	--	343	320	110	306	302	120	606	574	323	494	487	313
% of total income	--	--	--	52	50	29	53	51	30	64	64	47	60	59	48
Total average $ income	--	--	--	591	556	373	552	537	396	906	854	674	804	800	663

[a] In September 1981 dollars adjusted against the local consumer price index.

[b] Missing data not available from Boston's computerized files.

[c] Average dollar amount and percent of total income calculated only for cases receiving income from that source.

[d] Data not analyzed because of small sample size.

Table 59

Income and Its Sources in the Nonearner Caseload in the Base, OBRA, and Post-OBRA Sample Months by Site[a]

Source[c]	Boston[b]			Dallas			Memphis			Milwaukee			Syracuse		
	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post	Base	OBRA	Post
AFDC and food stamps															
Average $ amount	432	--	407	305	293	279	275	273	300	486	489	512	430	452	467
% of total income	--	--	--	100	100	100	99	99	100	97	98	98	97	98	97
AFDC															
Average $ amount	354	346	331	119	108	104	125	112	115	428	423	438	325	319	325
% of total income	--	--	--	41	42	45	46	47	45	79	87	90	70	75	75
Food stamps															
% cases receiving	87.8	84.6	74.7	93.0	92.2	91.0	87.5	89.3	93.8	80.8	82.5	89.0	88.8	89.9	88.6
Average $ amount	90	--	102	196	199	188	177	180	197	70	80	83	114	136	147
% of total income	--	--	--	60	63	63	56	59	61	13	15	15	24	27	28
Other unearned income															
% cases receiving	3.2	4.1	3.6	0	0.8	0	3.4	3.3	2.7	8.0	5.1	5.3	11.2	8.2	11.4
Average $ amount	--	--	--	d	d	d	138	70	d	218	188	172	130	139	154
% of total income	--	--	--	d	d	d	37	25	d	39	35	30	28	28	32
Total average $ income	--	--	--	305	294	279	279	275	302	504	500	524	444	463	484

[a] In September 1981 dollars adjusted against the local consumer price index.

[b] Missing data not available from Boston's computerized files.

[c] Average dollar amount and percent of total income calculated only for cases receiving income from that source.

[d] Data not analyzed because of small sample size.

Table 61

Percentage of Cases OBRA Closed That Gave Child-Care Problems as the Reason for Changing Work and Welfare Behavior by Change and Site

Change	Boston	Dallas	Memphis	Milwaukee	Syracuse
Returned to AFDC	(n=16) 12%	(n=30) 17%	(n=34) 6%	(n=39) 10%	(n=16) 19%
Lost job (quit or fired)	(n=37) 8%	(n=70) 6%	(n=59) 5%	(n=42) 12%	(n=40) 15%
Did not seek employment	(n=14) 43%	(n=35) 26%	(n=40) 22%	(n=17) 24%	(n=21) 19%

OUR LOGLINEAR MODELING PROCEDURES

To analyze the association of various factors with the tendency for cases terminated from AFDC to experience lengthy periods of unemployment and to have, after their termination, private health insurance, we compared hierarchical loglinear models. The comparison of these models allows a statistical test of whether specific factors have significant relationships with these two outcomes and how they interact. Expected frequencies derived from models that include statistically significant effects can be used to produce estimates of the magnitude and direction of the relationships.[1] Such estimates can take a variety of forms; for these analyses, we chose odds and odds ratios.

Odds indicate the tendency of a given subgroup of the population under study, as defined by one or more variables in the analysis, to assume one value of a specified variable rather than another. For example, if in a particular sample men 45 to 65 years old have 2.3 odds of being employed, for every man in this age group lacking work, there are 2.3 men who have jobs.

Different subgroups can be compared by observing the ratio of their odds. Thus, if women 45 to 65 years old in the sample have 1.15 odds of being employed, we can say that men in the same age group are 2.0 times as likely to be employed as the women.

Where there are no significant differences between two groups, their odds are equal, and the odds ratio between them is 1.0. In other words, there is no effect on the dependent variable associated with variation in the variables that distinguish the two subsets. The greater the divergence of the odds ratio from unity, the larger the magnitude of the effect.

The loglinear modeling we performed for our study involved the "logit" mode of analysis, which allows an unconstrained association between all the independent variables but varies their association with a predetermined dependent variable. In this mode, a hierarchy of related models is set up, ranging from fairly simple to relatively complex. The simplest models posit that none, one, or only a few of the independent variables in the cross-classifications have a main effect on the dependent variable. Complex models can include interactions between the factors that affect the dependent variable.

For the models under consideration, a computer program generates a set of expected frequencies. (The SPSSX HILOGLINEAR procedure was employed for this analysis.[2]) The expected frequencies are then contrasted with the observed frequencies--that is, the data being analyzed--and the discrepancy between the two is measured by means of a "likelihood ratio chi-square."

---

[1] Leo A. Goodman, Analyzing Qualitative/Categorical Data (Cambridge, Mass.: Abt Books, 1978).

By systematically comparing the likelihood ratio chi-square values for models of increasing complexity, one can select a model that includes only the variables that have a statistically significant relationship to the dependent variable, after controlling for the association of the other variables in the equation with one another and with the dependent variable. In general, one seeks the simplest model that fits the data adequately and that cannot be significantly improved (in terms of a decrease in likelihood ratio chi-square values relative to degrees of freedom) by the addition or substitution of another variable.

Once this "preferred" model has been selected, odds and odds ratios are calculated from the expected frequencies that it generates. The resultant estimate of the effect of a given variable is a net effect. It is determined after the association of this variable with all the other independent variables has been taken into account, as well as all other associations of these variables with the model's dependent variable.

A variant of the loglinear modeling technique permits the assessment of the effect of individual values in a "polytomous" categorical variable, or a variable with more than two values. A separate formal, or dummy, variable is created for each of the values in the polytomous variable, so that various models containing one or more of these formal variables can be tested.[3] This approach can be used to identify significant relationships involving only certain categories of the polytomous variable. Such relationships are often masked if the variable is considered only as a whole, since testing an unconstrained association of all the categories of the polytomy in effect tests the average association across these categories.

Thus, if several categories of a variable have weak associations with the dependent variable, the overall decrease in the likelihood ratio chi-square may not be significant, given the degrees of freedom taken up, even when other categories of the variable produce a decrease in the likelihood ratio chi-square that would be significant if those categories were considered separately (using fewer degrees of freedom). However, the number of variables that can be decomposed into formal variables is limited by the capacity of the computer program. The SPSSX program we used limits the number of variables to 10. This means that if one variable is represented by 5 formal variables, at most 5 other variables (one dependent) can be entered into the analysis.

---

[2] SPSS, Inc., SPSSX User's Guide (New York: McGraw-Hill, 1983).

[3] Otis D. Duncan, "Partitioning Polytomous Variables in Multiway Contingency Analysis," Social Science Research, 4 (1975), 167-82.

For our purposes, one advantage of loglinear modeling is its ability to analyze contingency tables with high numbers of empty or low-frequency cells. When the analysis is limited to testing the main effects and lower-order interactive effects of the variables, the procedure sums across numerous individual cells to calculate the fit of the model, given the marginal frequencies of the variables in question. As long as the marginal frequencies are not exceedingly small (or nil), tests of significance and estimates of the magnitude of effects are fairly robust.

FACTORS ASSOCIATED WITH UNEMPLOYMENT

In our analysis of factors associated with extended unemployment, we wanted to see whether we could identify subgroups of the group of earners terminated from AFDC by OBRA that were significantly more or less likely to experience unemployment. As we note in chapter 6, several personal and environmental factors have been identified in the research as important influences on the employment of low-income women. Since we wanted to differentiate individuals, we focused on the personal factors and relied on our site variable to reflect such differences in environmental circumstances as local labor market conditions.

Our interviews with earners terminated from AFDC provided data on some of but not all the factors identified in the literature. For example, we did not collect information on the health of the respondents or on their attitudes toward work. For other factors, we collected data that provide a partial picture. For example, we know how long the respondents had been working where they were employed when they were terminated from AFDC, but we do not how long they had worked for any previous employers. Similarly, we know how long the terminees had been continuously in AFDC prior to their termination from the program, but we lack information on the extent of any previous participation in AFDC.

In testing the potential association of these factors with episodes of lengthy unemployment, our goal was to identify and describe the characteristics of the earners who were most and least likely to be unemployed for extensive periods after their loss of AFDC. In other words, we used the limited data we had available to look for indicators of the probability of employment. This is distinct from an attempt to develop and test a theory that would explain the incidence of unemployment in this population, which would have involved much more extensive data collection and analysis than the scope of our study allowed.

We focused on two demographic variables (race and whether or not the respondents lived with children younger than 6 years of age), two work experience variables (hourly earnings and the length of time with one employer upon termination from AFDC), and one program variable (the length of time continuously in AFDC prior to termination). In follow-up analyses, we considered age and education.

We dichotomized race to contrast whites and nonwhites. We divided years in AFDC as up to 3 and 3 or more, years with current employer as up to 2 and 2 or more. This grouping of the two continuous variables revealed a strong bivariate association with extended unemployment and produced approximate median splits when all cases in the five sites were analyzed jointly.

We tried various groupings of hourly earnings until we settled on one that incorporated the substantive significance of jobs at the minimum wage. It divided the sample population into three earnings groups: at or below minimum wage (plus 5 percent), from minimum wage to a dollar more than the minimum (plus 5 percent), and a dollar or more above minimum wage. This also produced a fairly strong bivariate association with unemployment and created relatively equal groups across the sites.

Thus, except for site and hourly earnings, all the independent variables were dichotomous. Site and hourly earnings were both entered as dummy variables, in order to determine which individual categories of site and earnings were significantly associated with the dependent unemployment variable.

The variables relating to years with employer and hourly earnings at the time of termination limited our analysis to terminees who were working when they lost AFDC. This limitation and the absence of some data on one or more of the six variables reduced the total sample in the five sites from 630 to 566. The marginal frequencies for each of the variables by site and the percentages derived from them are presented in table 62 on the next page.

A preliminary analysis in which we compared only combinations of main effects demonstrated that years in AFDC, years with employer, the presence of children younger than 6, and site were all significantly associated with prolonged unemployment, but when we controlled for these effects, race and hourly earnings were not. However, a test for two-way interactions showed that race and years in AFDC had a strong effect on unemployment and that the presence of young children and years in AFDC had a somewhat weaker effect on unemployment. When we examined the formal, or dummy, variables, we found that there was a significant difference between the highest level of hourly earnings and the two other levels that had been masked when the variable hourly earnings was considered as a whole. Then we controlled for the (1) interactive effects of race and the presence of young

Table 62

Marginal Frequencies and Percentages for Variables Analyzed in Loglinear Models of Factors Associated With Extended Unemployment by Site[a]

	Boston	Dallas	Memphis	Milwaukee	Syracuse	Total
Unemployed						
≥25% of period	14(13)	33(29)	37(37)	25(22)	11 (8)	120(21)
<25% of period	95(87)	80(71)	64(63)	88(78)	119(92)	446(79)
Yrs continuously in AFDC						
<3	29(27)	71(63)	41(41)	55(49)	48(37)	244(43)
3+	80(73)	42(37)	60(59)	58(51)	82(63)	322(57)
Children >6						
Present	31(28)	72(64)	57(56)	40(35)	41(32)	241(43)
Not present	78(72)	41(36)	44(44)	73(65)	89(68)	325(57)
Race						
White	20(18)	17(15)	7 (7)	36(32)	79(61)	159(28)
Nonwhite	89(82)	96(85)	94(93)	77(68)	51(39)	407(72)
Yrs with same employer						
<2	44(40)	82(73)	58(57)	46(41)	66(51)	296(52)
2+	65(60)	31(27)	43(43)	67(59)	64(49)	270(48)
Hourly wage						
≤ min.	21(19)	51(45)	66(65)	10 (9)	35(27)	183(32)
min. to min. + $1	33(30)	44(39)	19(19)	40(35)	65(50)	201(36)
> min. + $1	55(50)	18(16)	16(16)	63(56)	30(23)	182(32)
Total	109(19)	113(20)	101(18)	113(20)	130(23)	566(100)

[a] Numbers in parentheses are percentages and may not add to 100 because of rounding. Includes only cases not missing data for any of the six variables.

children with years in AFDC and (2) the direct effects of years with employer and high hourly earnings, in order to examine the association between site and extended unemployment. In terms of main effects, we found no significant differences between Boston, Dallas, and Milwaukee. However, a test for interactive effects with site revealed a significantly different association in Milwaukee with years with employer at the termination of AFDC benefits.

These separate analyses suggested that the model that would best describe the relationship between these five independent variables plus site and the incidence of prolonged unemployment in our samples would account for the direct effects of the presence of young children, years with employer, years continuously in AFDC, high versus low or middle hourly earnings, and a distinction between Syracuse and Memphis on the one hand and Boston, Dallas, and Milwaukee on the other. In addition, it would account for the interactions of race and years in AFDC, the presence of young children and years in AFDC, and residence in Milwaukee and years with employer.

We tested this model to see whether any other direct or interactive effects could be added or substituted to produce a significant decrease in the likelihood ratio chi-square (at the .05 confidence level) and whether any direct or interactive effects could be dropped without a significant increase in the likelihood ratio chi-square. It passed both tests, and we accepted it as the preferred model for this set of variables. As shown in table 63 (on page 156), the fit of this model's expected frequencies to the observed data was clearly adequate, its likelihood ratio chi-square value of 170.75 (with 228 df) having a probability exceeding .99. The full set of odds generated by the preferred model and the odds ratios derived from them are presented in tables 64-66 (on pages 157-59).

The preferred model had a likelihood ratio chi-square value that was 37 percent lower than that of the model of independence. The size of this drop indicates that this model, limited to main and first-order interactive effects, describes a considerable part of the variation in the experience of prolonged unemployment among the subgroups defined by the independent variables. The variation that the model does not describe includes the effect of higher-order interactions between the independent variables and unemployment that could not be analyzed adequately with samples the size of ours.

In several follow-up analyses, we tested whether a sixth independent variable could substitute for any of the original five (excluding site) or whether it would significantly alter their effects if it was added to them. We looked at education, defined as the attainment of at least a high school diploma versus less schooling than this. As a main effect and in interaction with the other variables, education did not improve the fit of the preferred model, and it could not be substituted for any of the five original variables (excluding site) without diminishing the fit between the model and the data.

We also added and substituted age at several cutoff points, but however we structured them, the age variables neither improved the fit of the data significantly nor substituted successfully for race, the presence of children younger than 6, hourly earnings, time with employer, or years in AFDC. As an interactive effect, age dichotomized as younger and older than 40 affected the association between years with employer and prolonged unemployment, producing a statistically significant decrease in the likelihood ratio chi-square when it was added to the preferred model. Dichotomizing age as younger and older than 30 or 35 produced no significant direct or interactive effects, either when we controlled for the other variables or when we substituted for them. Thus, age probably has some relatively limited and mediating effect on the association of job seniority with extended unemployment, but the fact that age cannot be

Table 60

Earners' Child-Care Arrangements for Children Aged 2-5 Years 1 Month Before They Lost AFDC and After, at the Time of Our Interview, by Site[a]

Arrangement	Boston		Dallas		Memphis		Milwaukee		Syracuse	
	Before	After	Before	After	Before	After	Before	After	Before	After
	(n=35)	(n=23)	(n=87)	(n=50)	(n=61)	(n=40)	(n=33)	(n=16)	(n=54)	(n=33)
Day-care center	14%	17%	12%	12%	8%	8%	15%	12%	17%	12%
Sitter	26	26	17	20	20	18	24	25	26	24
Relative	20	9	29	36	16	18	21	31	9	24
School[b]	0	17	14	16	2	0	6	0	0	3
School and										
Day-care center	3	4	5	4	0	0	3	0	2	3
Sitter	9	4	0	0	7	8	12	0	20	15
Relative	11	9	8	6	18	10	6	12	11	12
Older sibling	3	0	5	0	7	10	0	0	0	0
Other	0	4	2	0	3	5	0	0	4	0
No supervision	0	0	1	0	0	0	0	0	0	3
Other	14	9	8	6	20	25	12	19	11	3

[a] Percentages may not add to 100 because of rounding.
[b] Includes preschool.

Table 63

Confirmation of Preferred Model for Loglinear Analysis of Factors Associated With Extended Unemployment

Model	Marginals fitted[a]	Likelihood ratio chi-square(L^2)	df
1.	[YACRHEWMSB][U]	272.32	239
2.	[YACRHEWMSB][WYU][RU] [CU] [HU] [MU][SU]	204.56	231
3.	[YACRHEWMSB][WYU] [CAU][HU] [MU][SU]	181.91	230
4.	[YACRHEWMSB][WYU][RAU] [HU] [MU][SU]	180.59	230
5.	[YACRHEWMSB][YU] [RAU][CAU][HU] [MU][SU]	177.57	230
6.	[YACRHEWMSB][WU] [RAU][CAU][HU] [MU][SU]	181.33	230
7.	[YACRHEWMSB][WYU][RAU][CAU] [MU][SU]	176.96	229
8.	[YACRHEWMSB][WYU][RAU][CAU][HU] [SU]	179.68	229
9.	[YACRHEWMSB][WYU][RAU][CAU][HU] [MU]	177.22	229
10.	[YACRHEWMSB][WU] [YU] [RAU][CAU][HU][MU][SU]	175.81	229
11.	[YACRHEWMSB][WYU][RU] [CAU][HU] [MU][SU]	181.30	229
12.	[YACRHEWMSB][WYU][RAU][CU] [HU] [MU][SU]	175.79	229
13.	[YACRHEWMSB][WYU][RAU][CAU][HU] [MU][SU]	170.75	228
14.	[YACRHEWMSB][WYU][RAU][CAU][HU] [MU][SU][BU]	170.64	227
15.	[YACRHEWMSB][WYU][RAU][CAU] [MU][SU][EU]	170.26	227
16.	[YACRHEWMSB][WYU][RAU][CAU] [MU][SU][BU][EU]	170.20	226

Effect tested against model 13:

Variable	Models compared	Likelihood ratio chi-square difference	Difference in degrees of freedom	p value
Independence	1-13	101.57	11	<.001
A+RA+CA	2-13	33.81	3	<.001
R+RA	3-13	11.16	2	.001-.01
C+CA	4-13	9.84	2	.001-.01
W+WY	5-13	6.82	2	.02-.05
Y+WY	6-13	10.58	2	.001-.01
H	7-13	6.21	1	.01-.02
M	8-13	8.93	1	.001-.01
S	9-13	6.47	1	.01-.02
WY	10-13	5.06	1	.02-.05
RA	11-13	10.55	1	.001-.01
CA	12-13	5.04	1	.02-.05
B	13-14	0.11	1	.7-.8
E vs. H	13-15	0.49	1	.3-.5
B+E vs. H	13-16	0.55	2	.7-.8

[a] Y = years with same employer; A = years in AFDC; C = children under 6; R = race; H = high hourly earnings; E = middle or low hourly earnings; W = Milwaukee; M = Memphis; S = Syracuse; B = Boston and Dallas; U = unemployment. The independent variables were combined in various ways for different models in order to accommodate the 10-variable limit in the SPSSX hiloglinear procedure.

Table 64

Odds Derived From the Preferred Model for Factors Associated With Extended Unemployment: Hourly Earnings Less Than Minimum Wage to $1 Over Minimum[a]

	White with children		Nonwhite with children	
	<6 yrs=0	<6 yrs=1+	<6 yrs=0	<6 yrs=1+
Yrs with same employer <2				
Yrs in AFDC <3				
Syracuse	0.0601	0.164	0.167	0.455
Boston and Dallas	0.156	0.426	0.433	1.18
Memphis	0.382	1.04	1.06	2.89
Milwaukee	0.129	0.351	0.357	0.974
Yrs in AFDC 3+				
Syracuse	0.163	0.148	0.0748	0.0680
Boston and Dallas	0.423	0.385	0.194	0.177
Memphis	1.03	--	0.475	0.432
Milwaukee	--	0.317	0.160	0.146
Yrs with same employer 2+				
Yrs in AFDC <3				
Syracuse	0.0248	0.0678	0.0688	0.188
Boston and Dallas	0.0645	0.176	0.179	0.488
Memphis	--	--	0.437	1.19
Milwaukee	0.189	0.515	0.524	1.43
Yrs in AFDC 3+				
Syracuse	0.0672	0.0612	0.0309	0.0281
Boston and Dallas	0.175	--	0.0803	0.0730
Memphis	0.427	--	0.196	0.179
Milwaukee	0.511	0.465	0.235	0.214

[a] In cells marked "--" there were no cases from which to compute an estimate.

Table 65

Odds Derived From the Preferred Model for Factors Associated With Extended Unemployment: Hourly Earnings More Than $1 Over Minimum Wage[a]

	White with children		Nonwhite with children	
	<6 yrs=0	<6 yrs=1+	<6 yrs=0	<6 yrs=1+
Yrs with same employer <2				
Yrs in AFDC <3				
Syracuse	0.0300	0.0820	0.0833	0.227
Boston and Dallas	--	0.213	0.217	0.591
Memphis	--	0.521	0.529	1.44
Milwaukee	0.0644	0.176	0.178	0.487
Yrs in AFDC 3+				
Syracuse	0.0813	0.0740	0.0374	--
Boston and Dallas	0.211	0.192	0.0972	0.0884
Memphis	--	--	--	0.216
Milwaukee	0.174	0.159	0.0801	0.0729
Yrs with same employer 2+				
Yrs in AFDC <3				
Syracuse	0.0124	0.0339	--	0.0939
Boston and Dallas	--	0.0880	0.0894	0.244
Memphis	--	--	--	0.59[illegible]
Milwaukee	0.0944	0.258	0.262	0.714
Yrs in AFDC 3+				
Syracuse	0.0336	0.0306	0.0154	0.0140
Boston and Dallas	0.0873	--	0.0401	0.0365
Memphis	--	--	0.0981	0.0893
Milwaukee	0.256	0.233	0.117	0.107

[a] In cells marked "--" there were no cases from which to compute an estimate.

Table 66

Odds Ratios Derived From the Preferred Model for Factors Associated With Extended Unemployment

Hourly earnings[a]

Middle (or low):high	2.0

Years in AFDC

		Children under 6	
		1+	None
Nonwhite	<3:3+	6.7	2.2
White	<3:3+	1.1	0.37 (inverse 2.7)

Race

	Years in AFDC	
	<3	3+
Nonwhite:white	2.8	0.46 (inverse 2.2)

Children under 6

1+:none	2.7	0.91 (inverse 1.1)

Years with same employer

	Site	
	Milwaukee	Boston, Dallas, Memphis, and Syracuse
<2:2+	0.68 (inverse 1.5)	2.4

Site

	Years with same employer	
	<2	2+
Boston:Syracuse	2.6	2.6
Dallas:Syracuse	2.6	2.6
Memphis:Syracuse	6.4	6.4
Milwaukee:Syracuse	2.1	7.6

[a] Persons with middle or low hourly earnings were 2.0 times as likely as those with high hourly earnings to experience extended unemployment.

substituted for these variables indicates that the influence of years in AFDC and years with current employer is not simply the result of general maturation.

FACTORS ASSOCIATED WITH PRIVATE HEALTH INSURANCE

Analyzing factors associated with private health insurance, we focused on the identification of the subgroups of our samples that were more or less likely to have private health insurance. As with our analysis of unemployment, we looked at the factors on the individual level that have been identified in the research as important influences on insurance coverage, and we tested those for which we had data. We wanted to find descriptive indicators rather than make an empirical test of some theoretical explanation for the distribution of private health insurance. The variables in our analysis were job seniority, average number of hours worked, and industrial sector.

Data that were missing on these variables (most frequently on industrial sector) reduced the total sample of cases that were working when we interviewed them from 482 to 396 in the five

Table 67

Marginal Frequencies and Percentages for Variables Analyzed in Loglinear Models of Factors Associated With Private Health Insurance Coverage by Site[a]

	Boston	Dallas	Memphis	Milwaukee	Syracuse	Total
Insured						
Yes	43(58)	21(27)	23(34)	44(66)	69(63)	200(51)
No	31(42)	57(73)	44(66)	23(34)	41(37)	196(49)
Average hrs worked						
Part-time	10(14)	25(32)	38(57)	11(16)	23(21)	107(27)
Full-time	64(86)	53(68)	29(43)	56(84)	87(79)	289(73)
Yrs with same employer						
<1	6 (8)	20(26)	10(15)	5 (7)	7 (6)	48(12)
1+	68(92)	58(74)	57(85)	62(93)	103(94)	348(88)
Industrial sector						
Manufacturing	9(12)	9(12)	3 (4)	10(15)	18(16)	49(12)
Retail	8(11)	27(35)	22(33)	11(16)	15(14)	83(21)
Finance	19(26)	2 (3)	1 (1)	12(18)	12(11)	46(12)
Personal services	13(18)	22(28)	23(34)	7(10)	10 (9)	75(19)
Health	19(26)	7 (9)	8(12)	21(31)	37(34)	92(23)
Government	6 (8)	11(14)	10(15)	6 (9)	18(16)	51(13)
Total	74(19)	78(20)	67(17)	67(17)	110(28)	396(100)

[a] Numbers in parentheses are percentages and may not add to 100 because of rounding. Includes only cases not missing data for any of the six variables.

sites. Table 67 gives the marginal frequencies for the variations in this sample, broken down by site. Both site and sector were structured as formal, or dummy, variables so that we could examine the individual effect of separate values for these polytomous variables. We divided job seniority as working with the same employer up to 1 year and 1 year or more, full-time employment as up to 35 hours a week on the average and 35 or more hours. Industrial sector of the respondents' primary job was coded according to Bureau of Labor Statistics categories and then consolidated into six sectors to reflect those most commonly observed in our samples: manufacturing, finance, health, government, retail, and personal services.

Preliminary analysis of direct effects indicated that both seniority and average hours worked had significant associations with private health insurance and that, with respect to the site variables, Dallas differed significantly from the four other sites. However, the relative effect of industrial sectors proved less clear cut when we controlled for the effects of seniority, average hours worked, and the differentiation between all five sites and Dallas alone. We examined the interaction of Dallas as a site, the six industrial sectors, job seniority, and average hours worked. Dallas with job seniority and Dallas with the retail sector produced a significant decrease in the likelihood ratio chi-square when added to the direct effects of job seniority, average hours worked, the six industrial sectors, and Dallas. We included these interactions in the hierarchy of models along with hours worked, and we tested for the separate effects of the five remaining sectors. We found that two more sectors had a direct association with private health insurance. In this model, the personal service and government sectors each exhibited significant direct effects, unlike the three remaining sectors considered jointly.

These analyses suggested that the model that is the most parsimonious and fits the data adequately shows average hours worked, job seniority, residence in Dallas, and employment in the retail, personal services, and government sectors as having a direct effect on private health insurance. They suggested also that Dallas interacts with job seniority and that Dallas interacts with the retail sector. We tested this model, finding that no new direct or interactive effects could be added or substituted to produce a significant decrease in the likelihood ratio chi-square (at the .05 confidence level) and that no direct or interactive effects could be dropped without a significant increase in the likelihood ratio chi-square. (See table 68 on page 162). The likelihood ratio chi-square of the preferred model proved to be 66.50 with 111 degrees of freedom having a probability exceeding .99. This represents a 69-percent decrease in the likelihood ratio chi-square relative to the model of independence. The full set of odds generated by the preferred model and the odds ratios derived from them are presented in tables 69 and 70 (on pages 163-64).

Table 68

Confirmation of Preferred Model for Loglinear Analysis of Factors Associated With Private Health Insurance Coverage

Model	Marginals fitted[a]	Likelihood ratio chi-square(L^2)	df
1.	[TYCRFPHGBDMWS][I]	194.60	119
2.	[TYCRFPHGBDMWS][TI][PI][GI][RI] [YI]	86.62	114
3.	[TYCRFPHGBDMWS][TI][PI][GI] [DYI]	78.54	113
4.	[TYCRFPHGBDMWS][TI][PI][GI][DRI]	77.43	113
5.	[TYCRFPHGBDMWS] [PI][GI][DRI][DYI]	116.03	112
6.	[TYCRFPHGBDMWS][TI] [GI][DRI][DYI]	77.72	112
7.	[TYCRFPHGBDMWS][TI][PI] [DRI][DYI]	71.84	112
8.	[TYCRFPHGBDMWS][TI][PI][GI][RI] [DYI]	73.07	112
9.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][YI]	70.37	112
10.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI]	66.50	111
11.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][CI]	66.15	110
12.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][FI]	63.21	110
13.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][HI]	65.52	110
14.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][BI]	65.43	110
15.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][MI]	66.50	110
16.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][WI]	65.63	110
17.	[TYCRFPHGBDMWS][TI][PI][GI][DRI][DYI][SI]	66.48	110

Effect tested against model 10:

Variable	Models compared	Likelihood ratio chi-square difference	Difference in degrees of freedom	p value
Independence	1-10	128.10	8	<.001
D+DR+DY	2-10	20.12	3	<.001
R+DR	3-10	12.04	2	.001-.01
Y+DY	4-10	10.93	2	.001-.01
T	5-10	49.53	1	<.001
P	6-10	11.22	1	<.001
G	7-10	5.34	1	.02-.05
DR	8-10	6.57	1	.01-.02
DY	9-10	3.87	1	.02-.05
C	10-11	0.35	1	.5-.7
F	10-12	3.29	1	.05-.1
H	10-13	0.98	1	.3-.5
B	10-14	1.07	1	.3
M	10-15	0	1	>.90
W	10-16	0.87	1	.3-.5
S	10-17	0.02	1	.8-.9

[a] T = full or part time; Y = years with employer; C = manufacturing; R = retail; F = finance; P = personal services; H = health; G = government; B = Boston; D = Dallas; M = Memphis; W = Milwaukee; S = Syracuse; I = insurance. The independent variables were combined in various ways for different models in order to accommodate the 10-variable limit in the SPSSX hiloglinear procedure.

Table 69

Odds Derived From the Preferred Model for Factors Associated With Private Health Insurance Coverage by Site[a]

Years with same employer	Worked in: Boston, Memphis, Milwaukee, Syracuse		Worked in: Dallas	
	Part-time	Full-time	Part-time	Full-time
<1				
Manufacturing	--	0.681	--	0.528
Retail	0.0266	0.218	0.113	0.926
Finance	--	0.681	--	0.528
Personal services	0.0257	0.210	--	0.163
Health	0.0833	0.681	0.0646	0.528
Government	0.217	1.77	--	1.37
1+				
Manufacturing	0.403	3.29	--	0.536
Retail	0.129	1.05	0.115	0.940
Finance	0.403	3.29	--	0.536
Personal services	0.124	1.02	0.0202	0.165
Health	0.403	3.29	0.0656	0.535
Government	1.05	8.56	0.171	1.39

[a] In cells marked "--" there were no cases from which to compute an estimate.

Table 70

Odds Ratios Derived From the Preferred Model for Factors Associated With Private Health Insurance Coverage

		Site	
		Boston, Memphis, Milwaukee, and Syracuse	Dallas
Hours worked	Full-time:part-time	8.2	8.2
Years with same employer	1+:<1	4.8	1.0
Sector			
	Personal services:manufacturing, finance, or health	0.31	0.31 (inverse 3.2)
	Retail:manufacturing, finance, or health	0.32 (inverse 3.1)	1.8
	Government:manufacturing, finance, or health	2.6	2.6

Site

Years with same employer		Sector	
		Manufacturing, finance, personal services, health, or government	Retail
<1	Boston, Memphis, Milwaukee, or Syracuse:Dallas	1.3	0.23 (inverse 4.3)
1+	Boston, Memphis, Milwaukee, or Syracuse:Dallas	6.1	1.1

164

THE LIMITATIONS OF THESE ANALYSES

The results of an exploratory analysis such as ours should be viewed cautiously. At least two factors limit the inferences that can be made about populations from the samples we analyzed. First, the relatively large number of independent variables, reflecting the lack of predetermined focus on a few hypothesized factors, substantially increased the number of times that statistical tests were employed. As a consequence, some associations may derive from sampling error. That is, as the number of statistical tests increases, so does the likelihood that one or more of the relationships that are identified do not hold for the populations under study. The stability of the relationships can be assessed with cross-validation, but we judged that the descriptive purpose of our inquiry did not require it, particularly since we were not attempting to generalize from our findings in the five sites to a larger population.

Second, inferences from our loglinear analyses are limited by the dichotomization of continuous variables. The appropriateness of loglinear modeling for our analyses derived from the categorical nature of our dependent variables, but in general this modeling technique requires the conversion of all continuous variables into categorical form. Information can be lost in the conversion, depending on the distribution of observed values relative to the number and cutpoints of the categories that are established. Consequently, dichotomization can yield less information about a continuous variable than a polytomous structuring of the variable. To the extent that information is lost, the likelihood of finding real relationships in the population can decrease.

Converting continuous into categorical variables for analysis in contingency tables is a lesser problem if the cutpoints have a substantive basis. For example, job seniority in the insurance analysis seems reasonably divided between employees who have been on the job less than a year and employees who have a year of seniority or more. We lacked substantive cues for the other variables. For average hourly earnings, time in AFDC, and job seniority in the analysis of extended unemployment, for example, we set cutpoints to reflect the distribution of values we observed in our samples.

GLOSSARY

Assistance unit. Needy children and their caretaker (if eligible) who receive income support from an AFDC grant. The unit usually consists of a mother and one or more dependent children. Other members of the household, including other children, may not be members of the assistance unit if they are not eligible for AFDC because of such things as age and the availability of other sources of income.

Base period. A 13-month tracking period used in this analysis to construct individual histories for groups of cases receiving AFDC at the beginning of this period, extending from the 13th month before the implementation of the changes OBRA made to AFDC to 1 month before their implementation. In each site, representative samples of the caseload, divided between earners and nonearners, were drawn from the population of AFDC recipients on the first day of the first month in the tracking period. See also OBRA period.

Child-care deduction. The exclusion of the amount an AFDC recipient pays for child care from monthly earnings in the calculation of AFDC benefits; limited under OBRA to $160 per month for each dependent child living with the recipient.

Child-support pass-through. A provision in the Deficit Reduction Act of 1984 requiring state welfare offices to disregard the first $50 a month in child support, usually collected from an absent father, in calculating the AFDC grant to which the assistance unit is entitled and to pass this amount on to the mother.

Earned-income disregard. The exclusion of certain portions of monthly earned income in the calculation of AFDC benefits, once eligibility for AFDC has been established. See Child-care deduction, $30+1/3 disregard, and Work-expense deduction.

Earner. An AFDC case or recipient who, according to the welfare case record, had earned income at the beginning of the tracking period (see Base period and OBRA period), in contrast to a nonearner case or recipient, with no earned income at that time. An earner might not have had earned income in previous or subsequent months, and a nonearner might have had earned income either earlier or later or both.

Grant. Used interchangeably with "payment" to refer to the monthly benefit an assistance unit receives from AFDC or some other cash-assistance program. Because the Food Stamp Program provides not cash payments but coupons that can be exchanged for food, the benefits from this program are not referred to as "grants" or "payments."

High-benefit site. Boston, Massachusetts, Milwaukee, Wisconsin, and Syracuse, New York, where maximum income levels for AFDC eligibility and maximum AFDC payments are high in comparison to the income and payment levels in the other states and particularly in comparison to those in the two other sites in this analysis. See also Low-benefit site.

Implementation window. A period 2 to 6 months long during which most of the OBRA provisions applicable to AFDC recipients' income were implemented in the five sites in this analysis.

Low-benefit site. Dallas, Texas, and Memphis, Tennessee, where maximum income levels for AFDC eligibility and maximum payments are low in comparison to income and payment levels in the other states and particularly in comparison to those in the three other sites in this analysis. See also High-benefit site.

Need standard. A state's estimate of the income required in that state to purchase minimally adequate food, shelter, and other living essentials for a family, or assistance unit, of a given size; the state's payment standard may or may not match its need standard. See also Payment standard.

Nonearner. See Earner.

OBRA period. A 13-month tracking period used in this analysis to construct individual histories for groups of cases receiving AFDC at the beginning of this period, extending from the month prior to OBRA's implementation to 12 months after its implementation. In each site, representative samples of the caseload, divided between earners and nonearners, were drawn from the population of AFDC recipients on the first day of the first month in the tracking period. See also Base period.

130-percent gross-income test. A provision in OBRA limiting eligibility for the Food Stamp Program to households with a gross monthly income not greater than 130 percent of the federal poverty threshold, excluding households with elderly and disabled members; the test operates in addition to the net-income test (involving deductions for shelter and other expenses) provided prior to OBRA.

Payment. See Grant.

Payment standard. The AFDC grant that a state provides to a family, or assistance unit, of a given size, living in a particular geographic area, with no other source of "countable" income that would otherwise reduce the grant below the standard. See also Need standard.

$30+1/3 disregard. The exclusion of the first $30 of an AFDC recipient's earnings each month and 1/3 of the remaining earnings in the calculation of AFDC benefits, after the subtraction (under OBRA) of child-care and work-expense deductions from gross earnings; limited under OBRA to 4 months. See also Child-care deduction and Work-expense deduction.

Tracking period. See Base period and OBRA period.

Work-expense deduction. The exclusion from monthly earnings of the expenses other than child care necessary to maintain employment, in the calculation of AFDC benefits; fixed under OBRA at $75 for full-time workers (prorated for part-time workers).